THE PRACTICE OF TENDER CRITERIA SETTING FOR GOVERNMENT BUILDINGS CONSTRUCTION IN ADDIS ABABA

By

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Declaration

I hereby declare that this thesis entitled "**The Practice of Tender Criteria Setting for Government Buildings Construction in Addis Ababa**" was composed by myself, with the guidance of my advisor, that the work contained herein is my own except where explicitly stated otherwise in the text, and that this work has not been submitted, in whole or in part, for any other degree or professional qualification.

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Certificate

This is to certify that the thesis prepared by Mr. Endalkachew Tadesse Chekol entitled **"The Practice of Tender Criteria Setting for Government Buildings Construction in Addis Ababa"** and submitted in fulfillment of the requirements for the Degree of Master of Science complies with the regulation of the University and meets the accepted standards with respect to originality and quality.

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Abstract

This study investigated the practice of tender criteria setting for government building construction, applicability of the tender criteria being used to the regulation and procedures, and the challenges in government buildings construction in Addis Ababa. The study covered the construction bids that were floated between March 2014 and March 2017. Qualitative and quantitative methodologies were applied. Questionnaire and document review were used for data collection. Sample of 94 professionals were approached through questionnaire and achieved 81.9% response rate. More than 91% of the floated tenders' standards bidding documents were also reviwed.The analysis was done by SPSS and Excel. The findings revealed that on the practice of financial and technical criteria setting tender criteria were prepared by respective professionals. There was restriction on financial resources and equipment proposals. Furthermore there was no review and audit by second party for check and balance. In addition 46.7% financial resource requirements did not aligned to the project cash flow schedule. In more than 52% of standard bidding documents analyzed specific experience of the contractors, annual turnover and equipment requirements did not meet what the government regulation required but all legal requirements follow the regulation. The main challenges in tender criteria setting were partiality, fake documents and subjective criteria. And to insure the applicability regulation and minimize the challenges public procurement agency shall provide a standard guide line and enforce post audit with accountability.

Keywords: construction, contract, criteria, procurement, tender.

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LIST OF ACRONYMS AND ABBREVIATIONS

BC3	Building Contractor 3
ETB	Ethiopian Birr
FIDIC	Fédération Internationale Des Ingénieurs-Conseils (International federation of consulting engineers)
GDP	Gross domestic product
GTP II	Second Growth and Transformation Plan
ICB	International competitive bidding
IMF	International Monetary Fund
MoFEC	Ministry of Finance and Economic Cooperation
MoFED	Ministry of Finance and Economic Development
NCB	National competitive bidding
PPPAA	Public Procurement and Property Administration Agency
RFP	Request for proposal
SBD	Standard bidding documents
SPSS	Statistical Package for the Social Sciences

Chapter 1. INTRODUCTION

1.1. Background of the Study

Ethiopia with a population of nearly100 million is the second most populous country in Africa. According to Ethiopia demographic profile 2016 report, the country's population is growing rapidly with annual growth rate of 2.8 percent, equating to two million births per year. Despite having one of the lowest proportions of urban population in the world at only 19.5 % (2015), Ethiopia is rapidly urbanizing at a high annual growth rate of 4.89 %(2015). According to the world development indicator by the World Bank in 2017; in the space of fifteen years the urban population increased from 6.07 million in 1990 to 19.45 million in 2015. Consequently the need for housing and infrastructure in the Ethiopian urban centers will increase.

It is clear that referring ITE building show 2016 report the combination of high population and urban growth rates coupled with government growth and transformation plan have placed a pull on the government to engage in many building construction projects. There are many building constructions in the capital under public and private ownership. However, in parallel to the construction boom the tender system in criteria setting, evaluation and post audit is not well developed accordingly.

In Ethiopia and particularly in Addis Ababa the building construction sector has shown a remarkable progress. Before contract award every government project requires to follow the regulations and procedures stated in public procurement proclamation, directives and manuals. One of these procedures is tender. According to HABCON consult 2017 study the practice of tender criteria setting for government buildings construction in Addis Ababa is reported to be insufficiently developed to meet the national development objectives and demands. Construction projects are often subjected to inflated costs and business malpractices. One of the major problems is the use of inappropriate and partial procurement

conditions in setting tender criteria; which in turn is limiting development of the construction sector.

The objective of this research is to analyze the practice of tender criteria setting for government building construction in Addis Ababa. This includes financial and technical criteria setting, applicability of regulations and challenges in public construction procurement and to analyze the existing problems.

1.2. Statement of the problem

Government building construction procurement process includes many activities like bid document preparation, technical and financial evaluation, and contract award. Despite the construction boom in Addis Ababa; the construction industry control mechanisms and guide-lines for the procurement process are not developed well (HABCON ,2017). The industry is challenged by several problems which tend to confront the sector and thus making efforts at developing the construction industry is very difficult and complex. One of the underlying problem is related to the consequences of the fact that the sector is not viewed and planned in an integrated manner, but rather, operates with fragmented, unrelated and often conflicting components (Wubishet Jekale, 2004).

Many scholars have conducted a research on methods of tender evaluation on how to select and award a contract to a company which proposes the lowest price, best methodology and short construction cycle. Laychiluh (2012) has studied lowest bidder bid awarding system in public construction projects in Ethiopia and Abnet (2015) has done the same on contractors' qualification criteria in Ethiopia federal road project tender practice. But those studies do not address the trend of tender criteria setting, evaluation and its relation to the specific project. The sector participants call the current practice as "Libs sifet" in Amharic which means the criteria are set to favor few contractors only. Hence, these criteria are subject to many problems which arise from business malpractice, inapplicability of regulation, corruption and lack of standard guideline. As Sciancalepore *et al*. (2011) stated public officers can favor a given bidder by assigning a high weight to a criterion which only a favored competitor is expected to meet fully.

This study has addressed the practice of tender criteria setting, applicability of the tender criteria being used to the regulation and procedures and challenges in government buildings construction in Addis Ababa. Furthermore the study identified loopholes related to determination of equipment requirement and specific experience where an ethical tender committee might use to manipulate the tender criteria and proposes solutions.

1.3. Research questions

The major research questions answered by this study paper are the following:

Research Question #1.

How do government institutions set financial and technical criteria for a given building construction procurement?

Research Question # 2.

Do the criteria being used meet the regulations and procedures of Ministry of Finance and Economic Cooperation 2011 SBD, and Ministry of Construction Directive No.19?

Research Question # 3.

What are the major challenges in government building construction tender criteria setting?

1.4. Objective of the study

1.4.1 General objective. The primary objective of the study is to investigate the practice of tender criteria setting for government building constructions in Addis Ababa.

1.4.2 Specific objective. The specific objectives of this study are the following:-

1. To investigate the actual practice of financial and technical criteria setting.
2. To evaluate the applicability of the tender criteria being used to the regulation and procedures of the Ministry of Finance and Economic Cooperation 2011 SBD, and Ministry of Construction Directive No.19.
3. To identify the challenges in government building construction tender criteria setting.

1.5. Significance of the study

The government building construction takes the lion share of the building industry in Addis Ababa. The findings of this study are expected to have a significant contribution at regional and national level to understand the building procurement practices. By investigating the practice of tender criteria setting the study has identified the existing practice, applicability of regulations, challenges and proposed recommendation.

Based on the results on the actual practice policy makers can strengthen the system on positive outcomes for better result and on negative sides of the practice they will take it as an input for future amendments to be made so that the construction industry will have fair, transparent competition; and can minimize tender related corruption. The study also gives an insight to researchers for more detailed and other related studies to be conducted. Public offices and other stakeholders can use the findings to avoid barriers for fair competition on tenders which will be floated under their firms.

1.6. Scope of the study

The study has focused on the practice of tender criteria setting for government buildings construction in Addis Ababa only. It also covered those tenders floated for grade III and above building contractors from March 2014 up to March 2017.

1.7. Limitation

Because of time and budget constraint it did not cover all tenders floated at national level therefore the geographic area coverage and number of floated tenders assessed are limited.

1.8 Organization of the study

This study is organized into five chapters

Chapter 1 presents an introduction to the study which covers the background of the study, statement of the problem, objectives, significance of the study as well as some operational definitions for key terms used in the study.

Chapter 2 is on literature review which covers related researches on tender; federal procurement proclamations, regulations, directives and manuals; books on tender criteria setting; journals and reports were covered.

The third chapter deals with the methodology, sample size and technique, method of data collection and tools, method of data analysis and others used in the study were presented.

Chapter 4 deals with the results of the study and interpretation by tables, graphs and charts to show the practice of tender criteria setting in Addis Ababa government buildings.

Finally chapter 5 summarized the study major findings, conclusion and recommendation including future study areas to be covered.

1.9 Operational definitions

1. Construction- is the process of constructing a building or infrastructure.
2. Contract - is a mutual or legally binding agreement between two parties based on policies and conditions recorded in document form.
3. General experience- the bidder total experience in the construction industry
4. Procurement- is the process of finding, agreeing terms and acquiring goods, services or works from an external source.
5. Specific experience - the bidder experience on similar buildings related to the proposed project.
6. Tender -the contractor's priced offer to the employer for the execution and completion of the works and the remedying of any defects therein in accordance with the provision of the contract.

Chapter 2. LITERATURE REVIEW

2.1 General.

The construction sector is part of the goods producing industries. It comprises firms primarily engaged in the construction of buildings and infrastructures such as bridges, highways, public institutions, dams, industries and utility systems. Developing nations like Ethiopia put their basic infrastructure in place during the early stages of development. Hence construction takes the major component of investment and its expansion activity is closely related to economic growth.

Construction works may include new work, additions, alterations, or maintenance and repairs. Activities of construction firms generally are managed at a fixed place of business, but they usually perform construction activities at multiple project sites which are unique in nature. Production responsibilities for establishments in this sector are usually specified in contracts with the owners of construction projects.

The Ethiopian construction sector consists of different types of firms. These operate in different sub-markets characterizing the construction industry. Construction firms must be registered and licensed by the Ministry of Works and Urban Development (now Ministry of Construction) in order to undertake any construction work in Ethiopia. There are different requirements that need to be fulfilled by qualified professionals before getting a license to undertake construction projects;

According to Ministry of urban development and construction directives 19 and 22; the firms are classified based on their size, expertise and financial capability. The professional services sector consists of architects, civil engineers, electrical engineers, sanitary engineers, mechanical engineers, quantity surveyors and surveyors who provided the design expertise.

Construction firms are broadly classified based on trend of work as follows:

1. General Contractors,

2. Building Contractors,
3. Road Contractors and
4. Specialized Contractors.

The first three categories are again divided into ten grades with different resource capacities. Consultancy firms are broadly classified as follows:

1. CA – Consultancy Architects,
2. CAE – Consultancy Architects and Engineers,
3. HBC – Consultancy Highway and Bridge,
4. CE – Consultancy Engineers and
5. SC – Specialized Consultancy.

All of the above consultancy firm categories are divided into six grades with different resource requirements. In most cases consultancy firms are responsible for preparing designs, specifications and tender documents for building procurement.

2.1.1 The construction sector in Addis Ababa. Federal government of Ethiopia has an ambitious plan in the second growth and transformation plan (GTP II). Ethiopia is prioritizing a capital of construction projects in order to motivate its economy, strengthen its infrastructure and supply affordable housing and power to its population of nearly to 100 million. According to World Bank group forth Ethiopia economic update the construction sector contributes 8.6% of the country's gross domestic product (GDP). The building sector has seen double digit growth, expanding by 37% annually, and is ushering in a new phase of development for the country. It is also creates the largest employment opportunities.

Ethiopia spends substantial amount of its budget in infrastructure development that involve significant construction works in projects such as construction of roads, buildings, water works, telecom civil works, hydroelectric dams, etc. For example, the Ethiopian government has spent about 38% of its total budget in fiscal year 2015/16 for capital projects. (MoFED, 2015/16). Even though significantly large amount of money is being poured in to infrastructure development, the infrastructure of the country is still considered to be very poor, even when seen by the standards of the Sub-Saharan countries. These all mean, high volume of infrastructure (construction) works is coming to the industry. Nevertheless, the construction industry of the country looks unprepared for these huge volumes of works to

come. The industry is still in the infancy stage, growing slowly both technically and financially.

Referring to the studies made by Ethiopian class one contractors association and HABCON consult in 02 November 2016, and Asteway (2008) the construction industry in Ethiopia is plagued by many problems and it's characterized by:

1. Insufficient capital base; shortage of construction materials and outdated and small numbers of equipment.
2. Low level of management, especially project management knowledge and practice (poor contract administration, project planning and project monitoring capabilities).
3. Limited experience and participation of the private sector in large construction project or the provision of related consulting services.
4. Inadequate and inappropriate project organization structures, which lead to problems of authority, responsibility, communication and coordination, etc.
5. High rate of corruption

Most building construction projects are concentrated in Addis Ababa and thus most of the construction problems observed in country are in Addis Ababa. According to ITE building show, Ethiopian construction industry update Addis Ababa is expanding at a rate of 3.3% each year, creating a housing void that needs to be filled. In fact, affordable housing is something of a nationwide priority for the Ethiopian government, although at present much of the house building activity is centered in the capital. More than 1,290 apartment blocks, standing between 7-9 storeys tall have been completed in various locations throughout Addis Ababa. 38,790 total condominium units are being built in 13 different sites in the city. 80,000 further apartment blocks are planned under the 40/60 scheme over the next five years.

Besides condominium house construction, more ultra-modern building constructions are planned and under construction in the capital. It is not just the residential or infrastructure sectors that are powering construction boom. Commercial construction activity is playing no small role in changing the face of the Addis Ababa construction industry.

The headquarters of the Commercial Bank of Ethiopia is being constructed at present by the China State Construction and Engineering Corporation. Once completed, it will be East Africa's tallest building at an impressive 198 meters tall. Foundations have been laid, so construction on the super structure is on progress the same is true for Ethiotelecom and Ethiopian Electric Utility headquarters. Africa's largest cargo terminal is also being built at the rapidly expanding Bole International Airport. This 17,000 square meter facility will enable Addis Ababa to offer Africa's biggest logistics hub to a variety of international customers, meaning trade levels could raise substantially. The new facility is expected to handle 600,000 tons of cargo at full capacity.

As mentioned above there is huge construction boom in the city whereas the sector participants are encircled by a number of capacity related inefficiencies and deep rooted corruption. This in turn leads to inconsistent and unfair tender criteria setting practice, and collusive action.

2.1.2 Building construction contracts. Contract is a mutual or legally binding agreement between two parties based on policies and conditions recorded in document form. The two parties involved are one or more owners, and one or more contractors or consultants. Some of the common construction contracts which are used in Ethiopian are:-

1 **Lump Sum:-**The supplier agrees to provide specified services for a specific price. The receiver agrees to pay the price upon completion of the work or according to a negotiated payment schedule.
2 **Unit Price:-**The work to be performed is broken into various parts, usually by construction trade, and a fixed price is established for each unit of work.
3 **Cost Plus:-**The contractor's profit is set at a fixed amount. If actual costs are lower than the estimate, the owner keeps the savings. If actual costs are higher than the estimate, the owner must pay the additional amount.
4 **Special contracts**: **Turnkey contract,** design-and-build contract, the consumer contracts with a single party that both designs and builds the project (Asteway, 2008).

Contract management is as an activity of managing contracts, deliverables, deadlines, and contract terms and conditions while ensuring customer satisfaction and reducing financial risk. When a contract management strategy is successfully implemented, organizations expect to see business benefits and financial returns are being realized. Contract management requires a level of flexibility for both parties involved and a willingness to adapt contract terms to reflect any changing circumstances.

In any construction contract, the cost of the project consists of the costs for labor, materials, equipment, profit and overhead. Before a project begins, the costs are only estimates. That includes price quotes from a contractor. There is risk involved for both the owner and the builder concerning the builder's ability to perform the work for a given actual cost. (Venmor *et al.,* 1991).

For design and supervision contract the owner hires one or more consultants to do the preliminary designs on architectural, structural, sanitary, electrical, mechanical and others. Then cost estimate will be prepared for budgeting and other purposes. Before transferring to procurement department the consulting firm has to prepare the standard bidding document which comprises the technical, financial and legal requirements of contractors to be eligible for the tender. The main focus of the research paper lays here.

2.2 Tendering and its management

2.2.1 Types of tender. FIDIC (1987) defines *"*Tender "as the Contractor's priced offer to the Employer for the execution and completion of the works and the remedying of any defects therein in accordance with the provision of the Contract, as accepted by the Letter of Acceptance".

In general tender is defined as "A sum of money, time and other conditions required by a tenderer to complete the specific construction work". Karim (2009) defines "Tendering process is a series of actions to generate offers or offers from single bidder, or a number of competitive bidders hoping to be awarded the business in words, service, or supply of goods". The whole process of tendering in construction and engineering industry is a comprehensive and complex procurement process and very expensive exercise for employer and tenderer as

well. Many experienced players of this industry agree that a proper tendering process fulfills two objectives;

a) The employer gets competitive and realistic price for the project that he intends to undertake and

b) The tenderer, upon making due investigations before submitting his tender, fully understands the requirement or nature of the proposed work and Employer's requirement. (Taylor, 2000)

There are three types of tendering methods in construction; open tendering, selective tendering, and negotiation.

1. **Open tendering methods in construction:**

In this type of tendering method the employer advertises his proposed project, and permits as many contractors as are interested to apply for tender documents. Here the employer will check the resource and experience of the contractors and will select the lowest bidder and reject unsatisfactory tenderer.

2. **Selective tendering methods in construction:**

In selective tendering the employer advertises his project and invites contractors to apply to be placed on a selected list of contractors who will be invited to bid for the project. Contractors applying are given a list of information they should supply about themselves in order to 'pre-qualify'. The advantage to the employer is that he can select only those contractors, who have adequate experience, are financially sound, and have the resources and skills to do the work.

3. **Negotiated tendering methods in construction:**

Negotiated tenders are obtained by the employer inviting a contractor of his choice to submit prices for a project. Usually this is for specialized work or when particular equipment is needed as an extension of existing works, or for further work following a previous contract. Sometimes negotiated tenders can be used when there is a very tight deadline, or emergency

works are necessary. A negotiated tender has a good chance of being satisfactory because, more often than not, it is based on previous satisfactory working together by the employer and the contractor.

However, negotiated tenders for public works are rare because the standing rules of public authorities do not normally permit them. But a private employer or company not subject to restraints such as those mentioned.

Competitive negotiated bidding**;** sometimes it may become necessary to obtain bids from a selected group of contractors known to have the technical, financial and managerial capability to complete a complex project.

Non-competitive negotiated bidding; the non-competitive negotiated procedure is essentially the process of negotiating a bid with a single source, usually a preselected contractor. For this reason it is also known as sole-source negotiation. The price to be paid, and the goods and services to be received by the owner are usually the items of negotiation. This saves time but increases the possibility of corruption and nepotism.

Pure sole-source negotiation, on the other hand, is very difficult to practice in public sector since this process may easily lead to allegation of favoritism and corruption. To avoid these inherent problems with pure sole-source negotiated bidding many agencies and owners have using variations that have in effect, features of both competitive and negotiated procedures.

2.2.2 Tender processes. Tender is a submission made by a prospective contractor for the supply of goods and services in response to an invitation made by the owner and it has to follow the following major processes:-

1. **Invitation to tender**: it will be communicated to the public via media outlets. For most construction works during invitation the following documents has to be available for the tenderers:-A tender pricing document , drawings and Standard bidding documents (SBD).
2. **Clarification:-** Pre bid meetings may be arranged to allow clarification of matters that might otherwise lead to an inaccurate tender being submitted, they can also give the

client insights into potential problems or opportunities in the project as it is described by the tender documentation. Responses to queries raised during the tender process can lead to clarification or amendment of the tender documentation which may also result in an extension of the tender period. It is important that any clarification, additional information or changes to the tender documents are circulated to all of the tenderers to ensure a level playing field.

3. **Submission:-**As per the announced submission date invited tenderers submit their tender, which will include their price for supplying the goods or services along with proposals for how the client's requirements will be satisfied if these have been requested. The submittals include:-A completed document; any design proposals or method statements that have been requested; Technical and financial qualification documents.
4. **Variant bids**:-Alternative or non-compliant proposals, sometimes referred to as 'variant bids' may be submitted if the tenderer believes that what they are proposing offers better value of money. However, non-compliant proposals should only be submitted if they have been requested and should be accompanied by a compliant proposal.
5. **Qualified tenders:-**First the technical evaluation will be conducted by the consulting firm or the owner procurement team those tenderers which meet the minimum passing criteria will proceed to the next step of financial evaluation . Those unsuccessful bidders financial offer will be returned unopened. If the tender evaluation is a two stage the lowest bidder will be selected whereas in three stage evaluation (quality and cost based selection) the combined effect of both technical and financial offers will be evaluated.
6. **Settlement:-**Once the client identified the winner they may hold a tender settlement meeting to enter into negotiations. This may result in further adjustment of the tender documents.
7. **Contract execution**: it is the process of signing an agreed contract, after which its terms become binding on the parties to the contract.

Federal procurement proclamation has listed the procedures to be followed in open tendering starting from advertisement to contract signing and advance payment settlement (Proclamation No. 649/2009, article 35-48)

Ngobeni (2011) has conducted a study in South Africa tender process and described the existing situation as an outdated and is faced with lots of challenges such as corruption, conflict of interest, lack of uniformity, theft; inflate prices, inadequate process and lack of proper monitoring. In addition government as the largest buyer in the country is responsible for ensuring that the tender system supports and attains overall economic objectives of the country.

2.2.3 Federal procurement legal aspect. The Federal Ministry of Finance and Economic Development (MoFED) has the mandate to issue public procurement rules and regulation. Under the ministry office the Public procurement and Property Administration Agency (PPPAA) administers it. The basic principle of PPPAA falls on ensuring value for money, non-discrimination, transparency and fairness of the tender criteria and accountability (Directive 2010, Part I, article. 4)

The Ethiopian Federal Government Procurement and Property Administration proclamation no 649/2009 article 33 (1) states six methods of procurement for public goods and services, which are:-open bidding, restricted tendering, direct procurement, request for proposal (RFP), request for quotation and, two or three stage tendering.

The federal proclamation, however, limits public bodies to use open bidding as the preferred procedure of procurement except as otherwise provided in the proclamation to use other options (article 33-(2)). Restricted tendering is allowed only when the required object of procurement is available only with limited suppliers and the cost of the procurement does not exceed the limit in the directive issued by the Ministry; or where a repeated advertisement of the invitation to bid fails to attract bidders in respect of a procurement subject to the directive to be issued by the Ministry (Proclamation No. 649/2009, article 49). The total contract value

of procurement made by restricted bidding is limited by the federal public procurement directive (2010) to 2 million birr for works (Directive 2010, Part IV, sub article 23.3).

Restricted tendering limit applies for national competitive bidding (NCB) but for procurements by means of international competitive bidding (ICB) it shall be made in accordance with article 59 of the Proclamation 649/2009.

Direct procurement is allowed when there is no competitions for technical reasons and if the required service can be supplied or provided only by one candidate. Or when there is a need of similar service or repetition of works from one supplier and when the total contract value is not exceeding the limit stipulated in the directives (article 51).

The third type of procurement for public bodies is request for proposal (RFP). RFP is allowed only when the public body seeks to obtain consultancy services or contracts for which the component of consultancy services represents more than 50% of the amount of the contract (Proclamation No.649/2009, article 53).

The other two types of procurements are request for quotation and two stage bidding. Request for quotation is allowed when there are readily available goods or for procurement of works or services for which there is an established market, so long as the estimated value of the contract does not exceed an amount stated in the procurement directives issued by the Ministry (article 55). Two stages bidding on the other hand is permitted when it is not feasible for the public body to formulate detailed specifications for the goods or works such as, contract for the purpose of research, experiment, study or development etc. (article 57). The maximum contract amount provided for works in the directive to use request for quotation is 250 thousand birr (Directive 2010, Part IV, sub article. 24.2).

In general, alternative procurement procedures other than the open bidding cannot be applicable for most public bodies' construction contracts as most public bodies' construction contracts are more than the limits specified in the maximum limit provided in the directive. In

addition, the conditions set forth for the use of other alternatives are not usually fulfilled for construction work contracts except in rare cases.

The technical specifications has to be in terms of performance rather than design or descriptive characteristics and it should be based on national standards or building codes (Proclamation No. 649/2009, article 29, 3)

In order to regulate the practice of tender criteria setting in public construction procurement activities MoFEC has issued an amendment to determine the minimum technical and financial criteria to participate on different categories of building and road projects. (MoFEC December 11, 2015 amendment).

According to Ngobeni (2011) the federal government procurement criteria has to:-

1. Preserve the highest standards of honesty, integrity, impartiality and objectivity; be fair, efficient, firm and courteous;
2. Achieve the highest professional standards in the awarding of contracts, so as to maximize value for money while adhering to international standards;
3. Provide clear specifications of requirements which encourage innovation and refer, where appropriate, to relevant technical and other standards;
4. Make available as much information as suppliers need to respond to the bidding process, and to define and publicize procurement contact points;
5. Manage the bidding process so that genuine competition is preserved and discrimination is avoided;
6. Make available the broad criteria intended for the evaluation of bids, to evaluate bids objectively, and to notify the outcome promptly; within the bounds of commercial confidentiality, to debrief unsuccessful bidders of the outcome of the bidding

Finally to avoid fraud and corruption during procurement effective control arrangements has to be done, specifically in: contract procedure rules, financial rule, employees' code of conduct, and anti-fraud and anti-corruption policy and process (Goss, 2015).

2.3 Tender criteria setting and evaluation

Selecting a construction contractor is one of major decisions which may influence the progress and success of any construction project. Contractor qualification criteria are a commonly used process to identify a qualified, sound and reliable contractor. These criteria are used to score contractors according to their economic, technical aspects, quality standards, past performance and other characteristics. Most of the time criteria setting and evaluation will be conducted by a tender committee.

During the formation of tender committee proper care has to be taken. As Boating (2014) stated in his study Ugandan local government regulation permits a contract committee of five members nominated by the accounting officer. Also in South Africa the accounting officer should appoint a bid evaluation committee for the evaluation of bids; where there is a lack of capacity (human resources) to establish the committee structure in a specific municipality it may be agreed upon to share the committee structure of another municipality. In Ghana, the Public Procurement Act 663, (2003) states that tender evaluation panel shall be an ad hoc body of not more than five members constituted for a specific procurement package.

Federal procurement proclamation 649/2009 article 29 states the technical criteria shall be prepared for the purpose of providing a correct and complete description of the object of procurement and for the purpose of creating conditions of fair and open competition between all candidates. It also be inviting open competition and devoid of any statement having the effect of restricting competition.

2010 federal public procurement directive article 7 states procurement endorsing committee should ascertain that the evaluation criteria are non-discriminatory, transparent and achievable.

2011 public procurement manual 2.7.1 label the technical specifications define the characteristics required of a material, supply or service such that they fulfill the use for which

they are intended. They are laid out in the contract documents without creating unjustified obstacles to competition.

The federal procurement directive and manual do not incorporate all procedures to be followed during turnover, financial resource, key personnel, equipment requirement setting and where to apply must meet criteria related to the project. These loop holes has been used to manipulate it. Furthermore construction audit has not yet started therefore inefficient and corrupt professionals easily set the criteria to favor some contractors with no accountability.

Puri *et al*., (2013) also studied on efficient contractor selection and bid evaluation methods for construction industry in India and recommended the government involvement to arrange programs for institutional strengthening and man power development in the areas of construction project management.

As Boating (2014) stated in his findings 33% of participants in Ghana believes that the current system of evaluating tenders as not good enough because winners are known before tender evaluations are finalized. Furthermore, during tender evaluation 34% indicated that influence comes from politicians, 28% from contactors, 19% from friends, 18% from colleagues and 1% from family members.

Motives for corruption include, gaining information, speeding up bureaucratic processes, receiving preferential treatment, disqualifying competitors, getting away with substandard work, influencing outcomes of legal and regulatory processes, and influencing the allocation of benefits such as subsidies, taxes, and pensions(Boating ,2014)

2.3.1 Tender criteria setting. Most public building construction projects are carried out in the capital Addis Ababa, keeping in mind that large volume of university construction projects in the regional states.

Construction tender criteria focuses on relevant experience ,appreciation of the task, past performance, management and technical skill, resources, management system ,methodology and price.

Banaitiene *et al*.(2006) described tender criteria as a tool to achieve the aims of a construction project, which is selected, based on pre-determined and appropriate evaluation criteria these evaluation criteria must consider the size and complexity of the project.

Idrus *et al*. (2011) conducted a study on decision criteria for Malaysian contractors and have found out that track performance, financial capacity and technical capacity were the top most important criteria used by clients for the selection of contractors.

Unfair qualification criteria, lack of accountability and corrupted practice of the awarding contractors has led to delays, disputes and inflated price. Involved parties are also expected to follow standards of behaviors' such as honesty and fairness, rule of law and no anti-competitive practices. In the planning stage it is advisable to identify the project resource requirements and correlate the project demand to technical requirements. (Victorian civil construction industry, 2008).

The federal public procurement manual no. 2.5 (December 2011) clearly states the need for setting qualification criteria for the respective bids to ensure the contractors professional and technical qualifications and competence to undertake the work/supply/service for which they are bidding. Hence inserting unnecessary and exaggerated criteria reduce the number of bidders and favor a few.

As Selama *et al*. (2006) stated on their study on the criteria of contractor selection in Egypt. Defined bid evaluation as a decision-making process that involves the development and consideration of a wide range of necessary and sufficient decision criteria used to assess the contractors' capabilities.

2.3.3 Tender evaluation. Principles of evaluation; After the public opening of bids, information relating to the examination, clarification, and evaluation of bids shall not be disclosed to bidders or other persons not officially concerned with this process until the

successful bidder is notified of the award of contract. Evaluation of bid technical scores should be done by the evaluation committee as a whole, as opposed to individual evaluation, and based on the scoring scale provided in the bidding documents.

Although an initial review of the offers received is done at the bid opening event, a preliminary examination of the offers is done at the beginning of the evaluation process to determine, the responsiveness of the offers. After that, a detailed examination is done only of the offers that complied with (were responsive to) the requirements of the evaluation criteria.

The federal law requires public organizations to award public contracts to the "lowest responsive bidder." The word "responsive" is inserted to require that a successful bid must also be adequately responding to the requirements of the project as specified. Or to the one which gives the most economic advantage; weighted average of the technical and financial evaluation results .While it is not too difficult to determine whether a bid is responsive because responsiveness is evaluated based on the documents submitted by contractors as per the bid requirement. It takes considerable amount of time and effort to ascertain whether a bid is responsive. "Responsive" means technically and financially qualified. The bidder must also have the requisite judgment, skill, ability, and integrity to perform the contract according to its terms.

For two reasons application of this requirement becomes difficult. First, there is generally a narrow window of time available between a bid opening and the award of the bid. Second, although the law allows public organizations to reject any or all the bids, the rejection cannot be done arbitrarily or in bad faith. In most cases high degree of subjectivity gets involved in the process of determining whether a particular bidder is responsive.

In the capital Addis Ababa the major purchaser of construction is the federal government. The prequalification and bid evaluation processes requires the development of necessary and sufficient criteria. The last two decades have witnessed a huge development in project complexity and clients need and this has led to an increasing use of alternative forms of project delivery systems. In contrast, the prequalification and bid evaluation process, quantifying and assessment of criteria are not developed in parallel. Some researchers

recommend the adoption of pre-qualification process to insure that the owner can assess the quality of contractors early and the bid evaluation team focus only on the specific elements of the project.

During evaluating contractors offer the technical qualifications are initially assessed. Once the technical qualifications are determined, the contractor obtaining the minimum or above technical qualifying mark will pass to the next financial evaluation.

In recent years the subjectivity of technical criteria has increased dramatically and becomes the cause for inflated price and business malpractice especially on quality based evaluation method.

As Sciancalepore *et al*. (2011) affirmed the European Union Public Procurement Directive 2004/18/ imposes the use of the linear weighting technique (when possible) in the public tenders to be awarded according to the economically advantageous tender scheme criterion. This practice is limited by the lack of an optimal choice of weights to be assigned to the evaluation criteria. Moreover, when this method is used, public officers can favor a given bidder by assigning a high weight to a criterion that only that competitor is expected to meet fully. Accordingly this method is characterized by some subjective choices which make corrupt behaviors possible.

According to Huang (2011) key components that should be examined when conducting a contractor qualification evaluation are:-

1. Financial standing, such as financial stability, turnover, profit, obligations, amounts due, and owned financial funds.
2. Technical ability, such as experience, plant and equipment, and personnel.
3. Management capability, such as past performance and quality, quality control policy, quality management system, project management system, experience of technical personnel, and management knowledge.
4. Quality, safety, senior management, including experience, tenure with firm, and division of responsibilities.

5. Current projects/backlog, including number, size, and location of projects, percent of capacity being utilized, and status and expected completion, past failures in completed projects, number of years in construction, past client relationships and cooperation with contactors.

Huang (2011) stated contractor evaluation is often performed by industry professionals using their accumulated experience and judgment. There are variations in the amount of effort expended in the process, often without an understanding of how such variations influence the project outcome.

To summarize according to PPA 2011 standard bidding document section 3, evaluation methodology and criteria in order to select the competent bidder technical criteria and price are used. The technical criteria used to evaluate the competent bidder include fifteen criterions under the following groups:

1-Legal qualification,
2-Professional qualification,
3-Technical qualification and
4- Financial standing

For all tenders the legal qualification criteria, history of nonperformance, pending litigation and audit report requests are the same but for other qualification measurements the criteria will be prepared based on the contractor grade and project volume. When setting these criteria the responsible person is expected to implement the basic principles of PPA these are ensuring value for money, non-discrimination, Transparent and achievable and creating fair competition among bidders.

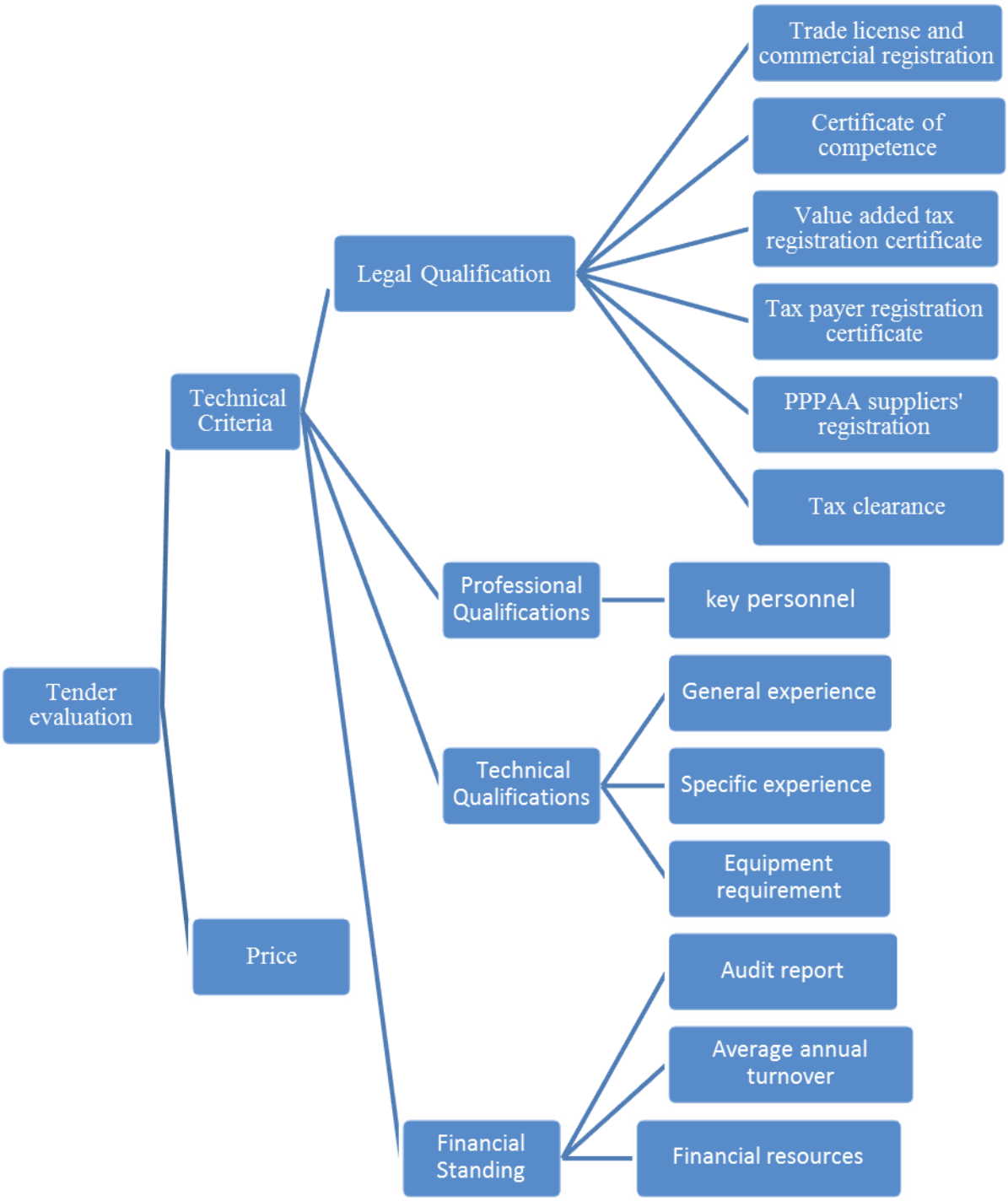

Figure 2.1. Evaluation criteria (PPA SBD, 2011)

2.4 Summary of literature review

Tendering process is a series of actions to generate offers from single bidder, or a number of competitive bidders hoping to be awarded the business. The basic principle of PPPAA falls on ensuring value for money, non-discrimination, transparency and fairness of the tender criteria's and accountability. It also states the technical and financial criteria shall be prepared for the purpose of providing a correct and complete description of the object of procurement and for the purpose of creating conditions of fair and open competition between all candidates. It also be inviting open competition and devoid of any statement having the effect of restricting competition.

Study papers shows the existing situation as an incomplete and is faced with lots of challenges such as corruption, conflict of interest, lack of uniformity and post audit, inflate prices, inadequate process and lack of proper monitoring.

Scholars in the construction industry agree on the importance of setting clear and consistent method of bid criteria, evaluation and contract award procedure in construction procurement tenders for the successful accomplishment of construction contracts. It is also advisable to revise procurement regulations at different stages of economic and technological development.

Appropriate evaluation of bids depends on a method that is characterized by fair and precise parameters which minimizes the possibility of anticompetitive behavior. Loop holes in the procurement procedures on criteria setting in the building construction industry gives a way for fraud, corruption and inflated pricing. It is possible to minimize the current challenges of the industry by taking the experience of other countries, professional's feedback, doing an intensive and continuous study, and periodical improvement in procurement proclamations, directives and manuals in the industry.

Chapter 3. RESEARCH METHODOLOGY

3. Research methodology and approach

For the study both qualitative and quantitative research methodologies were applied. The objectives of these methodologies were to gain understanding of the collected data by analyzing the data in detail. In quantitative methodology questionnaires were used as a data collection tool and under qualitative method document review was applied. The information about recent floated tenders was obtained from Addis Zemen, Ethiopian Herald and Ethiopian Reporter newspapers published from March 2014 up to March 2017.

To investigate the actual practice of financial and technical criteria setting in relation to the project requirement and to identify the challenges questionnaires were developed based on literature reviews and information's acquired from various local experts. The questionnaire was prepared in English language and designed in such a way that it has three parts. The first part deals with demographic information of the participant. The second part deals with the practice of financial and technical criteria setting. The third deals with the major challenges in government building construction tender criteria. After the development of questionnaire pilot surveys were conducted and based on the suggestions the draft questionnaires were revised. The final questionnaires were distributed in person and some were emailed.

For each tender floated section 3 of the standard bidding document includes qualification criteria used to select competent bidder. Hence to evaluate the practice on the applicability of regulations and procedures SBD were collected from consultant, contractor and client offices.

3.1 Description of the study area

The study was conducted on tenders of government sponsored building construction projects in Addis Ababa which were floated for grade III and above building contractors from March 2014 up to March 2017.

3.2 Sample size and sampling technique

Sampling is the process or technique of selecting a suitable sample for the purpose of determining parameters or characteristics of the whole population. The target population of this particular study was government building construction tenders floated for grade III and above building contractors.

For questionnaire collection the researcher has followed non probabilistic and purposeful sampling technique and from different construction stakeholders 94 participants were selected. The selection focused on those engineers and procurement officers who have been actively participated on tender preparation on their respective firms. The involvement of the researcher is important in the process to ensure the eminent and representative members are selected.

Purposive sampling has allowed the researcher to choose the samples based on a personal judgment supported by knowledge about the sample frame and information about the purpose or objective of the study. It also used to get trustworthy data and for ease of accessibility.

During the selected study period 67 government building construction tenders were floated and it was planned to collect all. And the researcher has collected the available 61 standard bidding documents (91%). To strengthen the study questionnaires were distributed since the population is homogeneous the researcher has targeted to involve more than 25% of the population from each stakeholder. From March 2014 to March 2017 by 34 public offices a total of 67 tenders were floated and 25 public offices (74%) were requested to participate with an equivalent number from consultant's side too. Furthermore referring to construction minister website accessed on March 07, 2017 for the list of registered contractors; from the total grade III and above building contractors the study involved 26% of them.

The participants were owners, managers, department heads and process owners at their firms; since they have sufficient information about the current practice and know their respective firms problems to qualify in the tenders the study involved them.

For each tender floated section 3 of the standard bidding document includes technical qualification criteria used to select the competent bidder. Therefore standard bidding document were used to evaluate government institutions tender criteria and its alliance to finance and procurement regulations and procedures of MoFEC and Ministry of Construction. These documents help to gather data related to legal qualification, financial standing, professional qualification, technical capacity requirements stated for the respective government construction tenders.

3.3 Ethical considerations

Ethics are the norms or standards for conduct that distinguish between right and wrong and ethical considerations in research are critical. They help to determine the difference between acceptable and unacceptable behaviors. Throughout the study the following ethical considerations were applied:

1. Full consent was obtained from the participants prior to the study.
2. The participants were involved in the research voluntarily and they were given sufficient information and assurances about taking part to allow individuals to understand the implications of participation and to reach a fully informed decision without the exercise of any pressure.
3. During tender standard bidding documents review any cheating or exaggeration about the information gathered were avoided.
4. Any type of misleading information, as well as representation of primary data findings in a biased way was avoided.
5. Any type of communication in relation to the research was done with honesty and transparency.
6. Highest level of objectivity in discussions and analyses throughout the research were maintained.
7. Acknowledgements were given to authors where their works were used in any part of the research.

3.4 Data source and method of data collection

There are two types of data source; primary and secondary data source. Primary data source is information source that need to be gathered from the original source. On the other hand, secondary data source is the one used from already available or from source that has been collected for another purpose. Data for this study was gathered from primary data through structured (closed-ended) questionnaire and standard bidding documents.

The participants for this research were engineers from consulting firms and contractors, and procurement officers from the client's side who have a related job to building construction works procurement. The total number of participants through questionnaire was 77 and the reviewed standard bidding documents were 61 from these the necessary data for the study were obtained.

The data collection methodologies were primary data from questionnaire and standard bidding documents.

3.4.1 Questionnaire.

Questionnaire was used to collect data for investigating how government institutions set financial and technical criteria for a given building construction procurement and identifying related challenges. Questionnaire provides firsthand information for the study as it is focused on issues which further serves as a survey to understand the main concerns and attitudes of respondents towards the research questions. Questionnaire was designed as structured to control and guide the participants answer. The questions were basically short, requiring the respondent to put a mark under a given alternatives options from which the respondents select the answer closer to their own opinion. It also had open ended choosing questions. Likert scale question were preferable to get categorical (Nominal) data and by doing this the researcher has reduced chance of bias; administration was comparatively inexpensive and

easy even when gathering data from large numbers of participants, and some people feel more comfortable responding to a questionnaire.

The questionnaire was distributed to purposely selected participants from consultant, contractor and client. It was then organized in two sections where section one deals with the general background of the participant. Section two focused on the first and third objectives of the study area and it has questions which are sub grouped into two parts where the practice of tender criteria setting and challenges in criteria setting were assessed.

Questionnaires were filled by 81.9% of the participants from a total of 94. The participants were purposively selected from public bodies, consultants, and contractors. Purposive technique was selected to get trustworthy data and for ease of accessibility .The selected participants were those who have been actively participating on government construction works tender process. The data collected was then statistically analyzed in pursuit of an answer to the research questions.

3.4.2 Document review.

Document review; reading of documents is an instrument for studying public documents such as standard bidding documents, newspapers, minutes of meetings and private documents such as letters, biographies and diaries to enable the researcher obtain the necessary data. In this study standard bidding documents were used to produce qualitative information concerning the tender criteria set in public institutions and its alignment to regulations and procedures of MoFEC 2011 SBD section 3 and Ministry of Construction directive number 19.

To obtain data for analyzing the second objective tender criteria and its alignment to regulations and procedures. 61 Standard bidding documents floated from March 2014 to March 2017 were collected from concerned firms. The information obtained from these documents was grouped under five major tender evaluation criteria subsections and then examined its alignment to the regulations and procedures. These documents were obtained from contractors, consultants and public body offices; the data acquired from document

review used to evaluate government institutions tender criteria and its alliance to finance and procurement regulations and procedures.

The quality of the research tools will inevitably determines the quality of information collected. In cases where the research instrument or the data collection tool is a questionnaire its' quality could be measured in terms of validity and reliability of the questions. Furthermore, the quality measurement could be seen from two faces: the quality of the questions and the quality of the data collected. Validity is basically about the soundness of the data collected in terms of making sure the data collected is really what was intended to be gathered (Kahan, 2007). Moreover, analyzing each question in terms of its' content in the questionnaire designing time provide a better ground to get valid information. To insure the validity of the questions for this research each questions were carefully designed from a research questions and PPA 2011 standard bidding document evaluation criteria.

For a test to be reliable, it also needs to be valid here the researcher used sampling validity to ensure that the measure covers the concept under study which is the practice of tender criteria setting here all evaluation criteria listed in PPA 2011 SBD were addressed through questionnaire and standard bidding document review.

3.5 Method of data analysis

The study utilized descriptive method of data analysis. Descriptive methods enable researchers to completely describe data using tables, graphs, and summary calculations such as mean and standard deviation. Descriptive figures are often used to examine the validity of sample data, and should be reviewed before running any inferential statistical analysis. In this descriptive method was used which consist of frequency, count, and percent to represent data. To investigate the collected data the study used Statistical Package for the Social Sciences (SPSS) and Excel for questionnaire and document review respectively.

1. To analyze the financial and technical criteria setting practice, and challenges in tender criteria setting questionnaires were categorized in to four sub groups. Group one and

two focused on financial and technical criteria setting practices respectively. The third and fourth groups focused on the challenges in tender criteria setting. The questionnaires collected from the participants were then being analyzed using SPSS and tender criteria setting practices and challenges were determined.

2. To evaluate the applicability of the tender criteria being used to the regulation and procedures standard bidding documents were collected. The information obtained from these documents was sub grouped based on 2011 public procurement and property administration SBD Section 3. These subgroups focused on legal, professional, technical qualifications and financial standing of the bidder.

   The information obtained through document review was tabled based on the above sub groups. Each criterion stated under legal, professional, technical and financial subgroups were reviewed to determine its alignment to the evaluation criteria of 2011 Federal Public Procurement SBD and Construction minister directive number 19. Special care was taken when reviewing seventeen criterions for each 61 tender's standard bidding documents. Finally the data were counted and analyzed by using Excel.

Chapter 4.RESULTS AND DISCUSSION

The objective of the study paper was to investigate the actual practice of financial and technical criteria setting, and evaluating the applicability of the tender criteria being used to the regulation and procedures of the Ministry of Finance and Economic Cooperation 2011 SBD, and Ministry of Construction Directive No.19, and identifying the challenges in government building construction tender criteria setting.

The questionnaire was distributed to 94 employees who are working in different firms and 77 (81.9%) of them have filled and returned it back. In addition from a total of 67 government buildings procurement tenders which were floated for grade III and above building contractors the study has covered the available 61(91%) standard bidding documents.

The findings of the study are categorized into the following:

1. The practice of technical and financial tender criteria setting for government buildings construction in Addis Ababa.
2. Applicability of tender criteria being used with the regulations and procedures of Ministry of Finance and Economic Cooperation 2011 SBD, and Ministry of Construction Directive No. 19.
3. Major challenges in government building construction tender criteria setting.

Tables and charts are utilized by the researcher to assist in interpreting the findings.

4.1 Demographic characteristic of participants

The demographic data was taken to know certain characteristics personal to the participants but useful in understanding their specific experience in building procurement. The areas covered were type of firm they are working on, experience in the construction industry, position and number of tenders they have been participated.

81.9% of questionnaires were filled and returned back from those 26.0%, 45.5% and 28.6% participants were from consulting, construction and public bodies respectively. They are

owners, managers, department heads and process owners in their respective firms. Besides 79.2% of them have more than five years' experience and have sufficient knowhow about the construction. Since 68.8% of the respondents have participated in more than10 building construction tenders their exposure helped the researcher to get reliable and tested answer for the questions.

Participants experience in the construction industry, position and number of tenders they have been participated are presented in Table 4.1

Table 4.1. Demographic data of participants.

No	**General profile of the participant (in percentage)**				
1	Position in the company	Owner	Manager	Department Head	Process owner
		2.6	24.7	37.7	35.1
2	Experience in the construction industry	≤ 5 years	between 5 & 10 Years	> 10 Years	
		20.8	27.3	51.9	
3	Total number of tenders participated	≤ 10	between 10 & 25	> 25	
		31.2	36.4	32.5	

4.2 Financial and technical criteria setting practice for building construction procurement

To analyze building procurement evaluation criteria with respect to the project financial and technical requirement the questionnaire was sub-grouped in to two sections the first one dealt with financial and the second on technical criteria setting practices.

4.2.1 Financial criteria setting practice

According to 2011 SBD to demonstrate the soundness of the bidders' financial position financial standing of the bidder shall be determined based on its historical financial performance, average annual turnover, and access to or availability of financial resources such as liquid assets, lines of credit, overdraft facility and other financial means to meet the project cash flow requirement.

A-Professionals' involvement on financial criteria setting.

To analyze the bidder financial health and capacity to run the project for three months without cash constraint annual turnover and additional financial sources should be determined. These criteria should be prepared by those who have the required financial knowhow. A financial resource requirement criterion has to be prepared to meet minimum project requirement so that many competitors can participate in the tender. The findings of the study revealed that 62.34% of participants agreed that financial criteria were determined by respective professionals and there was no difference in response among the stakeholders which is a positive finding. The response shows that it is prepared by professionals hence any criterion which is partial might be produced intentionally.

Table 4.2. Professionals involvement on financial criteria setting.

No	Response rate (in percentage)	Consultant	Contractor	Client	Total
1	Strongly disagree	2.60	7.79	2.60	12.99
2	Disagree	2.60	9.09	7.79	19.48
3	No opinion	3.90	-	1.30	5.19
4	Agree	12.99	23.38	7.79	44.16
5	Strongly agree	3.90	5.19	9.09	18.18
Total					**100.00**

B- Average annual turnover request.

Public procurement regulation states that the peak annual turnover request for the past five years should be equal to 80% of the project engineering estimate divided by its contract period in years. From participants response more than half (55.84%) of them agreed that annual turnover was fixed based on the engineering estimate of the project however 38.96 % of them said that this criterion did not follow the rule. Among the stakeholders 80% and 64% of consultants and client employees were agreed respectively.

Table 4.3. Annual turnover determination based on engineering estimate.

No	Response rate (in percentage)	Consultant	Contractor	Client	Total
1	Strongly disagree	1.30	16.88	1.30	19.48
2	Disagree	2.60	11.69	5.19	19.48
3	No opinion	1.30	-	3.90	5.19
4	Agree	15.58	16.88	11.69	44.16
5	Strongly agree	5.19	-	6.49	11.69
Total					**100.00**

C- Financial resource request.

The Federal Public Procurement 2011 standard bidding document clause 59.3 states payments to the contractor of the amounts due under each of the interim payment certificates and the final statement of account issued by the engineer shall be made by the public body within 90 days of such certificate of statement being delivered to the public body. Hence to sustain the project progress related to payment delay the contractor is expected to avail other financial sources to cover project expenses. For the question to address the relation between the financial resource being requested and project cash flow 48.1% of participants confirm that it was prepared based on the project cash flow however 46.7% of them disagreed.

Table 4.4. Financial resource request alignment to the project cash flow schedule.

No	Response rate (in percentage)	Consultant	Contractor	Client	Total
1	Strongly disagree	2.60	16.88	3.90	23.38
2	Disagree	3.90	11.69	7.79	23.38
3	No opinion	2.60	-	2.60	5.19
4	Agree	16.88	16.88	11.69	45.45
5	Strongly agree	-	-	2.60	2.60
Total					**100.00**

D- Financial criteria review by second party.

To avoid errors caused by lack of knowhow and tackle tender malpractices related to corruption tender criterion should be commented by second party professionals. Concerning this practice the study has investigated that 64.9% of participants disagreed to the question all financial criteria are commented by second party professionals before floating the tender which implies there is no check and balance in the process.

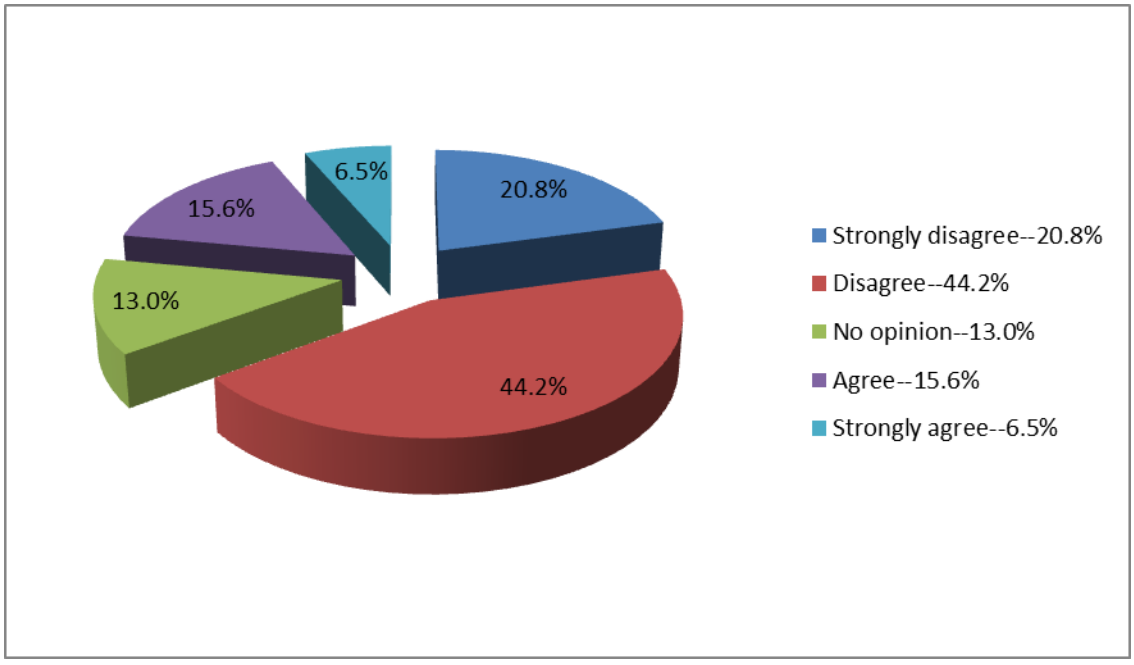

Figure 4.1. Financial criteria review by second party

Other areas of financial criteria covered by the study shows 67.5 % of participants disagreed to the question contractors are not limited from demonstrating access to any financial resource to meet the project cash flow requirement which is against 2011 SBD. Moreover the public procurement regulation allows 30% advance payment for construction projects and the researcher asked a question on the need of additional financial resource on the advance payment and 54.5% of them said no need. The highest (77%) agreement was observed from contractors' side and the lowest 32% from consultants'.

To summarize the above results show that financial criteria were prepared by professionals in addition audit reports follow the procedures. However more than half of the major criteria which are annual turnover and financial resource request requirements were partial and discriminate competent bidders from participation.

4.2.2 Technical Criteria setting practice.

Building procurement tender technical qualification includes determination of general experience in the industry, specific experience, non-performing contracts and minimum equipment requirement for the implementation of the project.

Technical criteria also comprise understanding the project nature and setting specific experience and equipment requirements. Therefore these criteria should be prepared by experienced professionals. The study discovered that 61% of participants agreed that it is prepared by respective professionals. Furthermore the regulation allow the bidder to propose equipment's through lease or rent but some tenders accept only owned equipment's proposal. For the question related to the restriction not to propose leased or rented equipment's for the project 54.5 % of participants were agreed but large difference observed among stakeholders 77%, 50% and 20% agreement from contractors, clients and consultants respectively.

A- Equipment requirement uniformity across government offices.

For similar buildings construction human, equipment and financial resources are expected to be the same. In a building construction equipment's are used to transport construction

resources, mixing and placing concrete, installing fixtures and mechanical equipment's. Hence for buildings with similar nature equipment requirements are expected to be uniform across different offices. To address this issue the participants were requested about uniformity on equipment requirements among public projects and 71.43% of them disagreed. All stakeholders gave similar response.

Table 4.5. Equipment requirement uniformity across government offices.

No	Response rate (in percentage)	Consultant	Contractor	Client	Total
1	Strongly disagree	1.30	20.78	6.49	28.57
2	Disagree	12.99	11.69	18.18	42.86
3	No opinion	2.60	3.90	1.30	7.79
4	Agree	6.49	5.19	1.30	12.99
5	Strongly agree	2.60	3.90	1.30	7.79
Total					**100.00**

B- Verification of copy documents with the originals.

There is a practice of preparing fake documents to qualify and get involved in different projects; same is true in the construction sector too. Therefore to investigate the verification exercise of tender documents participants were requested and 53.25% of them said that there was no verification practice. Because of this incompetent contractors might get the project and it will be a cause for poor quality and delay (Victorian civil construction industry, 2008). The results are presented on Table 4.5.

Table 4.6. Verification of copy documents with the originals.

No	Response rate (in percentage)	Consultant	Contractor	Client	Total
1	Strongly disagree	3.90	5.19	3.90	12.99
2	Disagree	5.19	28.57	6.49	40.26
3	No opinion	-	3.90	-	3.90
4	Agree	3.90	5.19	10.39	19.48
5	Strongly agree	12.99	2.60	7.79	23.38
Total					**100.00**

C- Requested equipment and project minimum requirement.

In a given project equipment's mainly used for construction material transport, concrete mixing, lifting, and placing, and mechanical equipment's and fixtures installation. To do this the minimum type, number and capacity of equipment's were determined by respective professional and included in tender criteria. To analyze the relationship between clients request and the project minimum requirement participants were asked and 79.2% of them agreed that clients request more than the project requirement.

Table 4.7. Requested equipment and project minimum requirement.

No	Response rate (in percentage)	Consultant	Contractor	Client	Total
1	Strongly disagree	-	1.30	-	1.30
2	Disagree	3.90	5.19	9.09	18.18
3	No opinion	-	-	1.30	1.30
4	Agree	12.99	19.48	9.09	41.56
5	Strongly agree	9.09	19.48	9.09	37.66
Total					**100.00**

D- Technical criteria review by second party.

Like financial requirements technical criteria should be commented by second party professionals so that necessary requirements will be incorporated and then fair competition could be attained. Participants were asked about review of technical requirements by second party professionals before tender floating and 55.8% said there was no review 74.3%, 45% and 36.4% of contractors, consultants and clients agree respectively.

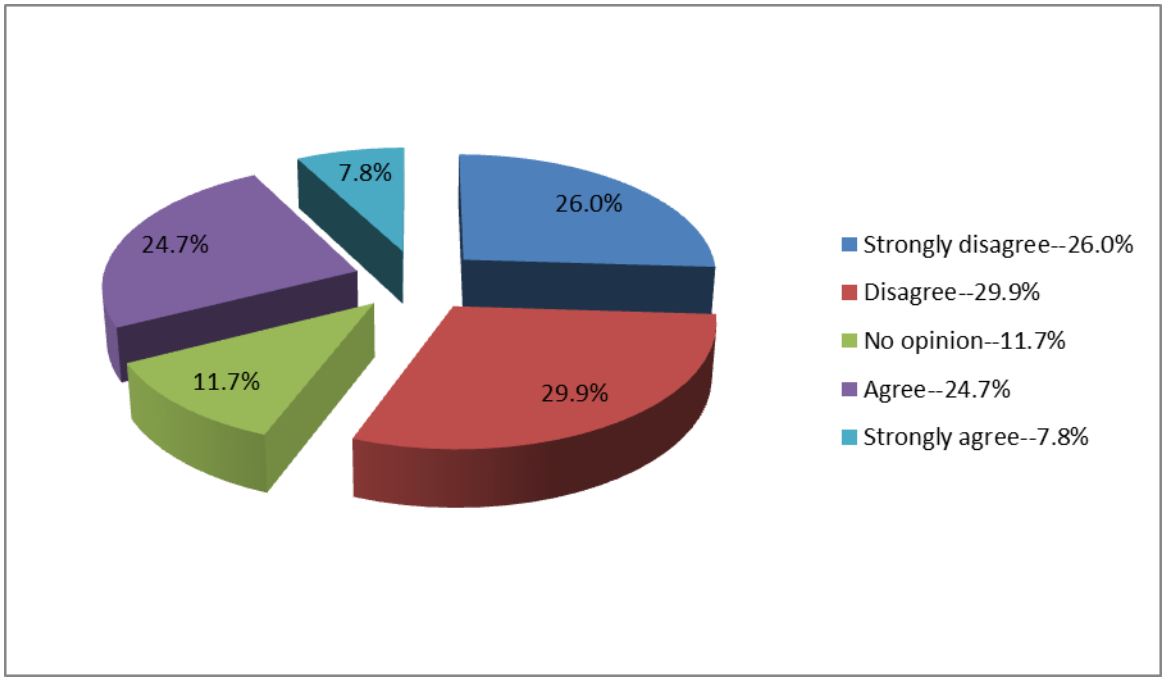

Figure 4.2. Technical criteria review by second party

The positive findings of the study on the practice of technical and financial criteria setting are all criteria are prepared by professionals and more than half of annual turnover requests were prepared based on the project engineering estimate.

In the contrary technical qualification criteria were not according to the regulation. 54 % participants said that bidders were restricted from proposing leased and rented equipment's for project implementation furthermore the requests are more than the project minimum

requirement. In addition half of the supporting documents submitted for technical evaluation were not cross verified with the originals.

4.3 Applicability of tender criteria being used with the regulations and procedures.

The second objective of the study was to investigate the applicability of tender criteria being used with the regulations and procedures of Ministry of Finance and Economic Cooperation 2011 SBD, and Ministry of Construction Directive No. 19. From the total of 67 floated tenders for public institutions in Addis Ababa the researcher has reviewed the available 61standard bidding documents. The criteria in these documents were regrouped according to Public Procurement Agency, 2011 SBD Section 3.

Under section 3 evaluation methodology and criteria the bidders' legal, professional, technical qualifications and financial standing are determined and evaluated. The standard bidding documents were reviewed focusing on those qualifications.

Document review results are:-

1. Under legal subsection the researcher has checked whether the bidders' seven legal qualifications were requested or not. The assessment results show that all (100%) legal qualifications of the bidder were requested as per the 2011 SBD.
2. In the second sub section professional qualification and capability criteria of the bidder stated in the document were investigated with respect to Directive No.19 and the result shows that 66% of tender documents have requested additional personnel out of the directive requirement. Since the consultants has the right to request additional personnel during project implementation key personnel requirement for bid competition should be as per the construction firm grade, and it is better to enforce the winner to avail additional personnel's if the project is affected.
3. Sub section three dealt with technical qualification, competence, and experience criteria requests against 2011 SBD and Directive No. 19. In general the analysis shows that 69% criteria were according to the regulation, but when we see the major requirements 41% of general experience, 52% specific experience and 62% equipment

requirement requests were not according to the regulation. These are the difficult criteria to qualify for many contractors and have high weight.

4. Fourth sub section assessed financial standing requirements in the bidding document were reviewed and 78% of them were as per the regulation .However similar to the findings observed in the technical section 54% of annual turnover requests were not aligned to the regulation this criterion is challenging for many contractors.
5. The study also investigated the inclusion of additional criterion in the bidding documents and found that 37% of government building procurement tender criteria have included additional requirements. Specific to must meet criterion 51% of the documents has specified all requirements as a must meet criteria rather than point rated. Application of must meet requirement to all criteria has a great impact by avoiding efficient competitors; if a bidder do not meet one of the must meet criterion excluding legal documents it will be an automatic rejection from further financial competition. In other words 51% of floated tenders in the past three years were not aligned to the regulations and procedures of Ministry of Finance and Economic Cooperation 2011 SBD, and Ministry of Construction Directive No. 19.

The good thing discovered from the analyzed standard bidding documents is that all legal qualification, financial resource and general experience requests were aligned to the regulation and procedures.

Whereas the major qualification criteria on key personnel, specific experience, equipment requirement and annual turnover requests were not determined as per the regulation. Unlike the positive findings these are the difficult requirements to qualify for most bidders because the criteria are related to the bidder's technical and financial capacity.

Standard bidding documents review results are tabulated in table 4.8.

Table 4.8. Standard bidding documents review

S/n	Public Body	Tender Name	Category	Sub section		Evaluation Criteria		1=Yes	2=No	Remark
1	Public Bodies In Addis Ababa	Building Construction (From March 2014- March 2017)	BC 3 and above	Legal	**1**	**Do all legal qualifications of the bidder are requested?**				
				Legal		1.1	Trade license and commercial registration	61	0	
				Legal		1.2	Certificate of competence	61	0	
				Legal		1.3	Value added tax registration certificate	61	0	
				Legal		1.4	Tax payer registration certificate	61	0	
				Legal		1.5	PPPAA suppliers' registration	61	0	
				Legal		1.6	Tax clearance	61	0	
				Legal				**366**	**0**	
				Legal				**100%**	**0%**	**100%**
				Professional	**2**	**Professional Qualifications and Capability of the Bidder**				
				Professional		2.1	Do key personnel requirements are aligned to construction minister criteria, Directive No.19?	21	40	
				Professional				21	40	
				Professional				**34%**	**66%**	**100%**
				Technical	**3**	**Technical Qualifications, Competence, and Experience of the Bidder**				
				Technical		3.1	Does the general experience request followed MoFEC regulation?	36	25	
				Technical		3.2	Does the specific experience request followed MoFEC regulation?	29	32	
				Technical		3.3	Do the bidder history of non-performing contracts requests are incorporated?	61	0	
				Technical		3.4	Does it include pending litigation requirement?	61	0	
				Technical		3.5	Does the equipment requirement for the implementation of the contract aligned to construction minister criteria, Directive 19?	23	38	
				Technical				**210**	**95**	
				Technical				**69%**	**31%**	**100%**
				Financial	**4**	**Financial Standing of the Bidder**				
				Financial		4.1	Does it request the bidder audit report to check its historical financial performance?	61	0	
				Financial		4.2	Does the average annual turnover request followed MoFEC regulation?	28	33	
				Financial		4.3	Does the financial resources requirement followed MoFEC regulation?	53	8	
				Financial				**142**	**41**	
				Financial				**78%**	**22%**	**100%**
				Others	**5**	**Additional requirements**				
				Others		5.1	It does not incorporate a must meet criterion other than the legal qualifications?	30	31	
				Others		5.2	There is no additional requirement which is partial?	47	14	
				Others				**77**	**45**	
				Others				**63%**	**37%**	**100%**

The trend of non-compliances in tender criterion from March 2014 to March 2017 is presented on figure 4.3

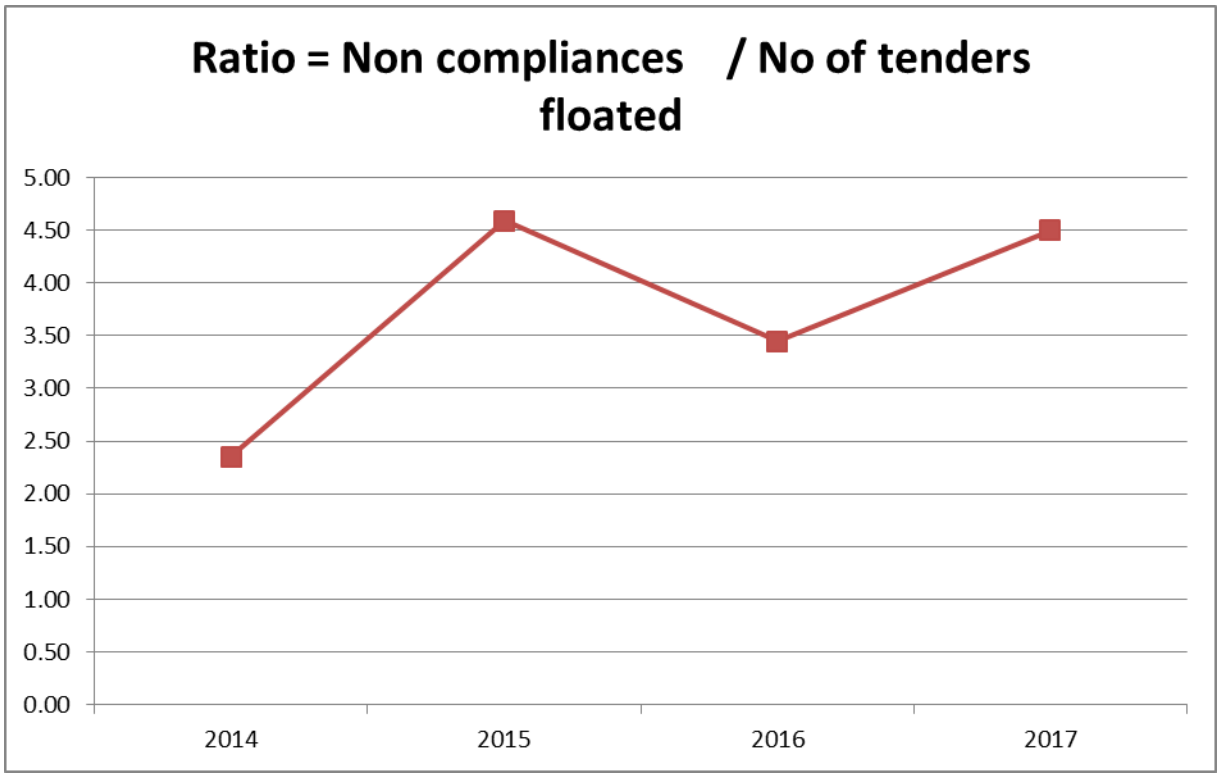

Figure 4.3. Trend of non-compliances in tender criterion

From the document review the researcher has made a discussion with selected department heads on the following findings. In general the technical qualification requirement looks aligned to the regulation however the specific experience and equipment requirement which are the key criteria did not follow the regulation. In addition the same practice existed on financial criteria too in most tenders annual turnover request did not follow the regulation.

As per the discussion the findings related to those criteria revealed the loopholes which are used to manipulate the criteria. Here corrupt tender committee members will adjust the criteria as per the selected contractor they want to favor in Amharic the practice called “Libs Sifet”. Knowing the little competition it will encounter the favored and intimate contractor will then give high price for the project.

On the other hand a contractor who has got confidential information such as the competitors list, excess quantities, works which are subjected to variation, incompatible fixtures in the bill of quantity and others will give much lower price for the project and becomes a winner. And if their collusive action continues the project will face high variation work orders if not the contractor will abandon the project and it will be delayed.

The other discussion area was the applicability of must meet requirement on all criteria, here it starts by incorporating some unachievable requirements to qualify. For example some equipment's which are not available at the hands of many contractors will be included in the qualification requirement then most competitors will be disqualified and the selected few reach to financial evaluation. This practice has a cost impact on the project.

4.4 Major challenges in government building construction tender criteria setting.

The basic principle of public procurement procedures and regulation lays on good business ethics with fair and transparent competition between bidders. Through the questionnaire the researcher has addressed the challenges in tender criteria setting which arise from business malpractice, lack of post audit, external influence and others.

4.4.1 Partiality, malpractice and post audit in tender criteria

Partiality in tender can be expressed by giving high weight to a criterion only few competitors are expected to meet, making deliberate error on setting some evaluation criteria, releasing confidential information to contractors they want to favor, and by assigning high point for criteria which are subjective to evaluate.

Concerning business malpractices and partiality in tender criteria setting the participants responses were 53.2% of them disagree for the question stating tender criteria are laid out in the contract documents without creating unjustified obstacles to competition. Furthermore 51.9% of participants respond that building procurement criteria were not fairly and equitably set in a manner that was consistent with procurement regulation. Finally the study found that

67.5% of participants also believe that additional must meet criterion acts as a barrier and creates partiality.

In bid documents preparation contractors have a trend of including fake documents for those criteria they did not qualify. To investigate it participants were asked and 81.8% of them agreed on the enclosure of fake documents by contractors. On the other hand documents were not kept for post audit the result shows half of the participants 48.1% agreed that tender documents were not maintained for post audit which intern encourages contractors to submit fake documents.

A-Evaluation point allocation

Upon criteria setting some corrupt members allocate high point for a criterion only few competitors are expected to meet. Therefore efficient bidders will be avoided during technical evaluation and few can reach for financial competition. Because of this practice projects will be subjected to inflated price. To investigate the actual practice participants were asked and 72.7% of them agreed that high weight was given to a criterion only few competitors were expected to meet. More than 55% of each stakeholder has agreed.

Table 4.9. Evaluation point allocation.

No	Response rate (in percentage)	Consultant	Contractor	Client	Total
1	Strongly disagree	3.90	-	-	3.90
2	Disagree	6.49	3.90	9.09	19.48
3	No opinion	1.30	1.30	1.30	3.90
4	Agree	6.49	7.79	7.79	22.08
5	Strongly agree	7.79	32.47	10.39	50.65
Total					**100.00**

B-Confidentiality of tender information

Confidential information about the tender leaked and reached to contractors. A contractor who has got the information could give unbalance price and becomes the winner. To investigate it participants were asked about the release of confidential information and 59.7% of them agreed. 80%, 50% and 35% of contractors, clients and consultants respectively.

Table 4.10. Confidentiality of tender information.

No	Response rate (in percentage)	Consultant	Contractor	Client	Total
1	Strongly disagree	5.19	-	3.90	9.09
2	Disagree	6.49	6.49	6.49	19.48
3	No opinion	5.19	2.60	3.90	11.69
4	Agree	6.49	9.09	6.49	22.08
5	Strongly agree	2.60	27.27	7.79	37.66
Total					**100.00**

C-Weight of subjective criteria.

During bid evaluation subjective criteria are loopholes to favor some bidders and castoff others. A question was raised to participants to analyze the practice of giving high point for criteria which were subjective to evaluate and 72.7% of them confirm the practice.

Table 4.11. Weight of subjective criteria.

No	Response rate (in percentage)	Consultant	Contractor	Client	Total
1	Strongly disagree	1.30	-	2.60	3.90
2	Disagree	5.19	5.19	6.49	16.88
3	No opinion	1.30	5.19	-	6.49
4	Agree	10.39	14.29	15.58	40.26
5	Strongly agree	7.79	20.78	3.90	32.47
Total					**100.00**

D- Standard criteria setting guideline.

One of the causes for having different tender criteria among different public offices is the lack of standard criteria setting guideline which could help to determine the requirements. For the question lack of standard criteria setting guideline creates non uniformity among different public office tenders 75.3% of the participants were agreed.

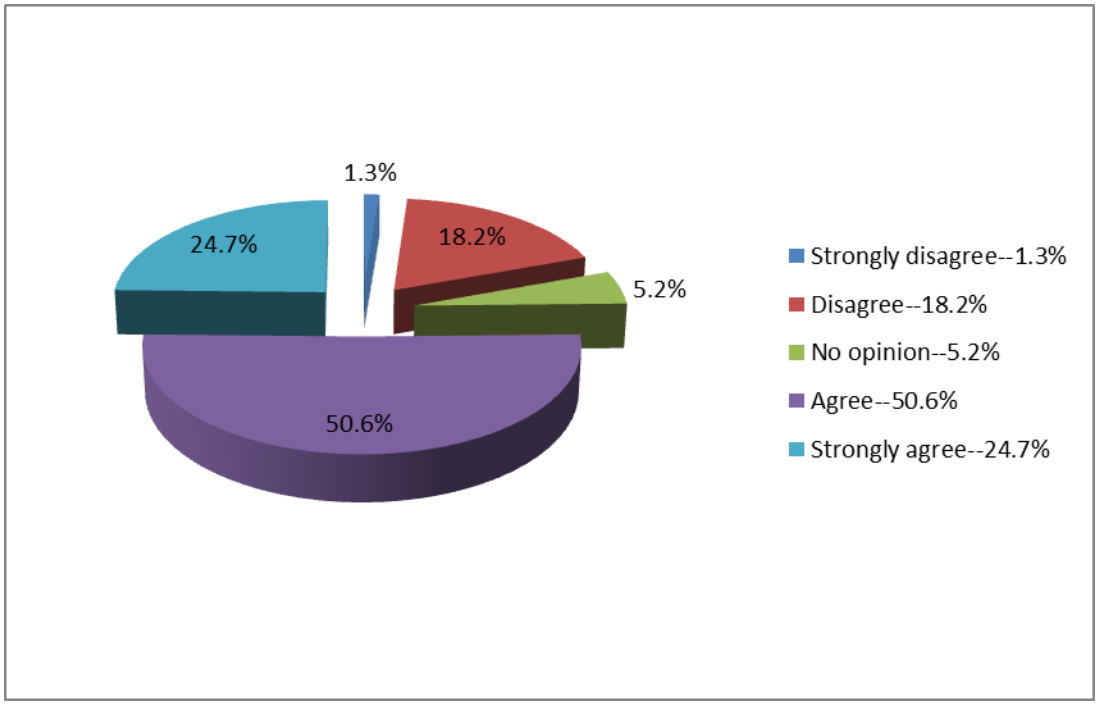

Figure 4.4. Standard criteria setting guideline

E- External influence.

External influence and interference on procurement process comes because of many different reasons such as when someone has an interest to manipulate or change the criteria to favor few contractors or because of lack of confidence on the procurement regulations and other reasons. Regarding this practice participants were asked and 74.0% of them confirm the existence of external influence.

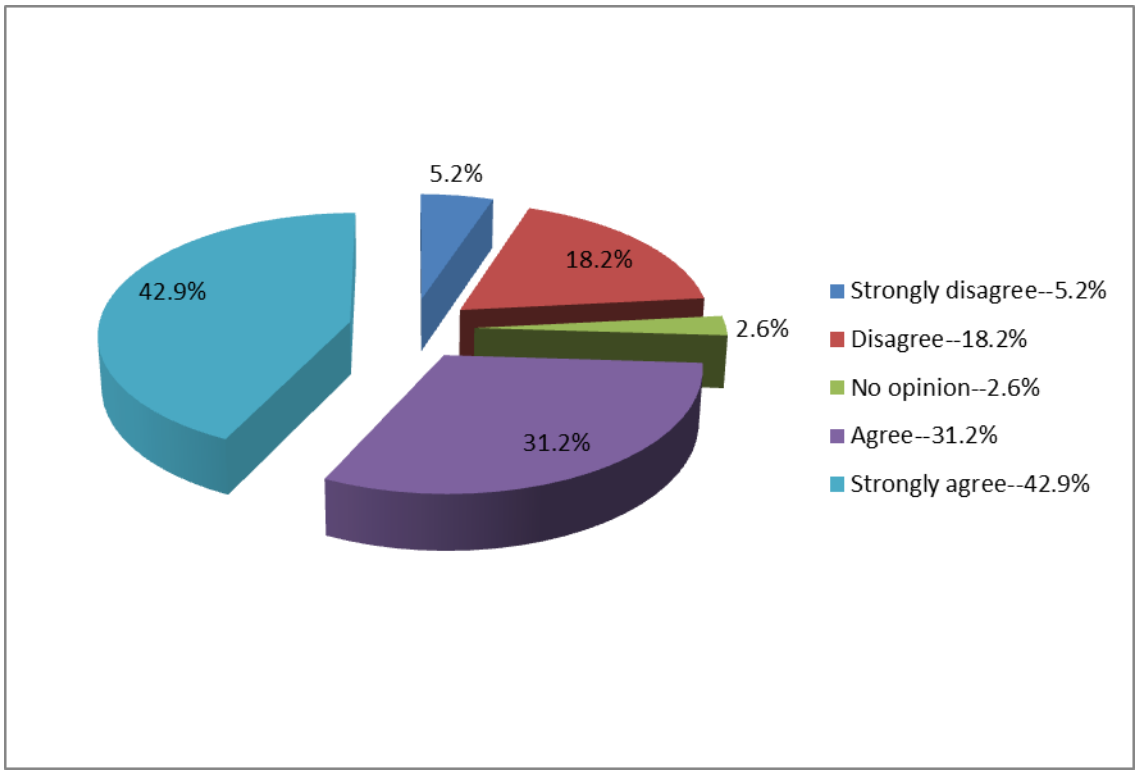

Figure 4.5. External influence

To summarize the analyses from A to E the major challenges are high weight is given for criteria few competitors were expected to meet and also for those criteria subjective to evaluate, confidential information's were leaked and lack of standard criteria setting guideline.

4.4.2 Frequently encountered challenges in tender criteria setting

The study has investigated frequently encountered challenges in tender criteria setting and found that the most challenging criteria to set and qualify were equipment requirement and annual turnover requests 48.1% and 54.5% respectively. In addition a challenging criterion which is prone for manipulation was specific experience finally participants agreed that the most subjective tender criteria to evaluate was methodology. The findings are presented in figure 4.6.

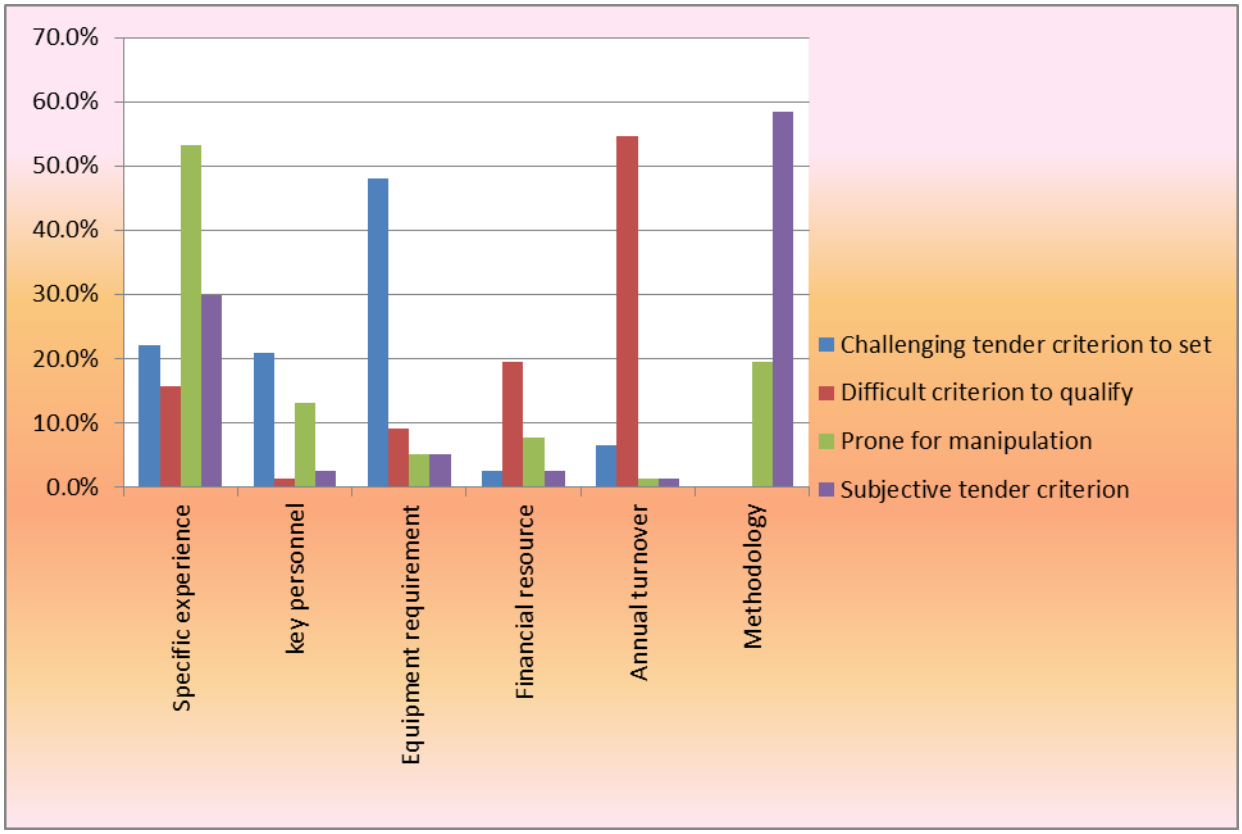

Figure 4.6. Frequently encountered challenges

Reliability is the degree to which an assessment tool produces stable and consistent results. Parallel forms reliability is a measure of reliability obtained by administering different versions of an assessment tool to the same study target. The findings from questionnaire and standard bidding document on the major criteria show consistency of results.

For equipment requirement criterion the results obtained from standard bidding document were 66.2 % of them did not follow the regulation and through questionnaire 79% participants agree. The second criterion was a request on annual turnover alignment to engineering estimate in tenders the findings from standard bidding document revealed 54.5% aligned and questionnaire 71% agreed. The third area used to check reliability was financial resource request and based on data collected through standard bidding documents 87% did not meet regulation furthermore 67.5% participants said that there is restriction on financial resource proposal.

Additional comments given by the participants are:

1. There is no policy for building maintenance tenders.
2. The law has to fix upper limit for each criterion.
3. Arithmetic error limits shall be provided.
4. There is lack of action in enforcing the regulation.
5. Lack of construction audit and timely bid announcement.

Chapter 5.CONCLUSIONS AND RECOMMENDATION

This chapter consists of findings, conclusion and recommendation. The main purpose of the study was to investigate the actual practice of financial and technical criteria setting, evaluating the applicability of the tender criteria being used to the regulation and procedures of the Ministry of Finance and Economic Cooperation 2011 SBD, and Ministry of Construction Directive No.19 and to identify the challenges in government building construction tender criteria setting. The study has focused on those government building construction tenders which were floated for grade III and above building contractors from March 2014 up to March 2017.

5.1 Summary of findings

For the study 77 questionnaires were collected and analyzed; the participants were owners, managers, department heads and process owners who have been participated in public tenders and with different years of experience in the construction industry. In addition the available 61 standard bidding documents issued for different government building procurement projects were reviewed.

The following are the main findings of the study

1. Both financial and technical criteria of government buildings procurement tenders were prepared by respective professionals which is a positive finding.
2. There was no review by second party for check and balance; 64.9% said that it was not commented by second party. Since the criteria were prepared by professionals any criterion which is partial might be created intentionally.
3. In more than half of public building construction tenders annual turnover requests were prepared based on project engineering estimate. But for 46.7% of participant's financial resource requirements did not aligned to the project cash flow schedule.
4. In most tenders contractors were limited from demonstrating access to any financial resource to meet the project cash flow requirement.

5. All legal requirements were requested as per the regulations.
6. In more than half of standard bidding documents assessed specific experience, annual turnover and equipment requirements were not according to the regulation.
7. 37% of government building procurement tender criteria has included additional requirements.
8. Above 50% of standard bidding documents defined all tender criteria as a must meet requirement which means any bidder who did not qualified on any one of the criterion was rejected.
9. Among similar building projects in public offices there was no uniformity in tender criteria. Besides this for 75.3% of participants' lack of standard criteria setting guideline was one of the problems.
10. Bidders were restricted not to propose leased or rented equipment for the project implementation. Moreover 79.2% of participants confirm that most clients request more equipments than the project minimum requirement.
11. During tender evaluation there was no practice of verifying fake document and also no post audit on the tender process.
12. The main challenges which creates partiality in tender criteria settings were applicability of must meet requirement for all criteria; criteria inconsistency with procurement regulation; and external influence.
13. Challenges which arise from malpractice were high weight was given to a criterion only few competitors were expected to meet; tender committee members released confidential information ; high evaluation points were given for subjective criteria and forged documents submission.
14. The study has investigated frequently encountered challenges in tender criteria setting and found that the most challenging criteria to set and qualify were equipment requirement and annual turnover requests.
15. Criterion which is prone for manipulation was specific experience and the most subjective tender criterion to evaluate was methodology.

5.2 Conclusion

In conclusion, the study has analyzed the practice of tender criteria setting for government building constructions in Addis Ababa and has identified the existing practice, applicability of regulations, and challenges. The following conclusions are drawn based on the assessment.

Tender criteria of government building projects in Addis Ababa were prepared by respective professionals but lacks second party review and there was inconsistency among similar projects under different public bodies. Under financial criteria financial resource and annual turnover requirements did not aligned to the project demand. Moreover bidders were restricted not to propose leased or rented equipment for the project implementation.

The practice on the applicability of regulations is that all legal requirements were according to the regulation. However more than 52% of the specific experience, annual turnover and equipment requirements were not according to the regulation. Defining all tender criteria as a must meet requirement and inclusion of additional requirement has a potential to reduce the number of competitors because of this the project cost could be inflated.

Finally the tender criteria setting challenges observed were committee members malpractice ,forged documents attachment, applicability of must meet criteria for all; criteria inconsistency with procurement regulation, external influence, and restriction on rented or leased equipment's. The main causes for these challenges were lack of tender criteria setting guideline, absence document verification and post audit with accountability. The study also investigated frequently encountered challenges in tender criteria setting and found that the most challenging criteria to set and qualify were equipment requirement and annual turnover requests. Furthermore specific experience and methodology were the most manipulated and subjective criterion to set and evaluate respectively.

.

5.3 Recommendation

The findings of the study show the practice of tender criteria setting for government buildings construction in Addis Ababa. Hence it will be an input for future amendments and researches to be taken by Ministry of Finance and Economic Cooperation, Public Procurement and Property Administration Agency, Ministry of Construction, Contractors association and other stakeholders to create fair and transparent competition among contractors; to minimize tender related corruption and to get fair price offers.

Based on the findings it is recommended that;

1. All tender criteria shall be prepared by respective professionals and should be commented by a second party followed by post audit with accountability.
2. Defining all tender criteria as a must meet requirement and inclusion of additional qualifications shall be avoided so that many bidders can participate and the government benefit will increase from fair price.
3. To insure the applicability of federal procurement proclamations, directives and manuals it is recommended that the public procurement agency shall provide a standard guideline to determine equipment requirement and specific experience, to guide applicability of must meet criteria and to avoid subjective criteria. It should also include the minimum and maximum evaluation point to be allotted for each criterion.
4. Only legal requirement such as business license, commercial registration certificate, certificate of competence, value added tax registration certificate, tax payer registration certificate, PPPAA suppliers registration slip, and tax clearance shall be treated as a must meet criteria and others shall be evaluated on point rate base.
5. Finally because of scope limitation the study did not cover and it is suggested to conduct two future study areas the first is to investigate the practice of tender criteria setting at national level including all tenders so that a complete information will be obtained , and the second one is to assess the economic impact of lack of construction audit.

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APPENDICES

APPENDIX- A

ADDIS ABABA SCIENCE AND TECHNOLOGY UNIVERSITY

College of Natural and Social Science

Department of Construction Management

The practice of tender criteria setting for government buildings construction in Addis Ababa.

Dear Participant

This MBA thesis research questionnaire is designed to assess the practice of tender criteria setting for government buildings construction in Addis Ababa. The objective of the study paper is to investigating the actual practice of financial and technical criteria setting, identifying challenges and evaluating the applicability of the tender criteria being used to the regulation and procedures of the Ministry of Finance and Economic Cooperation, and Ministry of Construction..

The information obtained will be used for academic purpose only; all information and feedbacks will be kept strictly confidential. Your experience and educational background in the construction industry will greatly contribute to the success of my study and I believe this kind of study will be an input for the development of Ethiopian construction industry. So, I am kindly requesting you to respond each and every question.

Thank you,

Endalkachew Tadesse

Tel: +251 911514871

Email: toendalk@yahoo.com.

Questionnaire

Please give your response for the questions here under by putting "√" mark at your appropriate choice or by putting your answers in the space provided.

Part I-General profile of the respondent

1- Type of firm you are working with

☐ Consultant ☐ Contractor ☐ Client

2- Class (category) of your firm (Contractor only)

☐ Grade I ☐ Grade II ☐ Grade III

3- Your experience in the construction industry

☐ ≤ 5 years ☐ between 5 &10 Years ☐ ≥ 10 Years

4- Your current position

☐ Owner ☐ Manager ☐ Department Head

☐ Process owner

5-The total number of building construction tenders you have been participated in:

☐ ≤ 10 ☐ between 10 & 25 ☐ ≥ 25

Part II- The practice of tender criteria setting for government buildings construction in Addis Ababa.

To what extent do you agree with the following?

1-Strongly disagree, 2-Disagree, 3-No opinion, 4-Agree, 5-Strongly agree

1-How do government institutions set financial and technical criteria for a given building construction procurement?

1.1- Financial criteria setting practice

No.	Description	1	2	3	4	5
1	Financial criteria are determined by respective professionals.					
2	Average annual turnover request is fixed based on engineering estimate of the project.					
3	Financial resource request is aligned to the project cash flow schedule.					
4	Contractors are not limited from demonstrating access to any financial resource to meet the project cash flow requirement.					
5	All financial criteria are commented by second party professionals before floating the tender.					
6	If there is an advance payment then no need to ask for other financial resources to covers project cash demand.					

1.2--Technical Criteria setting practice

No.	Description	1	2	3	4	5
1	Technical criteria are determined by respective professionals.					
2	For similar buildings the equipment requirements are consistent and uniform across all government offices.					
3	There is restriction not to propose leased or rented equipment's for the project implementation.					
4	All technical requirements are cross verified and evaluated by second party professionals before tender floating.					
5	Tender committee always verifies copy technical documents with the original before issuing letter of award.					
6	Most clients request more equipment's than the project minimum requirement.					

2-What are the major challenges in government building construction tender criteria setting?

2.1 Partiality, malpractice and post audit in tender criteria

No.	Description	1	2	3	4	5
1	Tender criteria are laid out in the contract documents without creating unjustified obstacles to competition.					
2	High weight is given to a criterion only few competitors are expected to meet.					
3	Tender committee members release confidential information to contractors.					
4	In most tenders high point is given for criteria which are subjective to evaluate.					
5	Contractors frequently submit fake document to fulfill tender criteria.					
6	Lack of a standard criteria setting guideline creates non uniformity among different public office tenders.					
7	Adequate records are maintained throughout the procurement process and provide sufficient information to enable post audit.					
8	Building procurement criteria are fairly and equitably set in a manner that is consistent with procurement regulation.					
9	Additional must meet criterion acts as a barrier and creates partiality.					
10	There is an external influence on procurement team members.					

2.2-Frequently encountered challenges in tender criteria setting

For each questions below select your answer from the table and put the respective number on space provided

1-Specific experience	2-key personnel	3-Equipment requirement
4-Financial resource	5-Annual turnover	6-Methodology

1. The main challenging tender criterion to set is ……
2. The most difficult criterion to qualify is…….
3. A tender criterion which is prone for manipulation is …….
4. The most subjective tender criterion to evaluate is …….
5. Any other comments

   ……

   …….

Thank you for your cooperation.

APPENDIX- B

Standard bidding documents assessment form

S/n	Public Body	Tender Name	Category	Sub section		Evaluation Criteria		1=Yes	2=No	Remark
1	XXXXXXXXXXX	XXXXXXXXXXXX	BC X	Legal	**1**	**Do all legal qualifications of the bidder are requested?**				
				Legal		1.1	Trade license and commercial registration			
				Legal		1.2	Certificate of competence			
				Legal		1.3	Value added tax registration certificate			
				Legal		1.4	Tax payer registration certificate			
				Legal		1.5	PPPAA suppliers' registration			
				Legal		1.6	Tax clearance			
				Professional	**2**	**Professional Qualifications and Capability of the Bidder**				
				Professional		2.1	Do key personnel requirements are aligned to construction minister criteria, Directive No.19?			
				Technical	**3**	**Technical Qualifications, Competence, and Experience of the Bidder**				
				Technical		3.1	Does the general experience request followed MoFEC regulation?			
				Technical		3.2	Does the specific experience request followed MoFEC regulation?			
				Technical		3.3	Do the bidder history of non-performing contracts requests are incorporated?			
				Technical		3.4	Does it include pending litigation requirement?			
				Technical		3.5	Does the equipment requirement for the implementation of the contract aligned to construction minister criteria, Directive 19?			
				Financial	**4**	**Financial Standing of the Bidder**				
				Financial		4.1	Does it request the bidder audit report to check its historical financial performance?			
				Financial		4.2	Does the average annual turnover request followed MoFEC regulation?			
				Financial		4.3	Does the financial resources requirement followed MoFEC regulation?			
				Others	**5**	**Additional requirements**				
				Others		5.1	It does not incorporate a must meet criterion other than the legal qualifications?			
				Others		5.2	There is no additional requirement which is partial?			

APPENDIX- C

List of government building tenders floated in Addis Ababa for category III and above building contractors from March 2014 up to March 2017.

S/n	Date of announcement	Public body / Organization	Consultant	Class /Category	Type of Bid	Tender name / Type of work	Submission date	Remark
1	14-Mar-14	FDRE,Federal Police Commission	CDSCo	3	NCB	Vehicle and Transport Division at Addis Ababa	April 16,2014	
2	27-Mar-14	Ethiopian Geological survey	B.S Consult	1	NCB	G+2 office ,Garage,workshop,Rig shade building complex	April 29,2014	
3	13-Apr-14	PPPDS on behalf of AA Police commission	……	1	ICB	Construction of new building for Addis Ababa city administration police commission at Addis Ketema sub city	May 19,2014	
4	13-Apr-14	PPPDS on behalf of AA Police commission	……	1	ICB	Construction of new building for Addis Ababa city administration police commission at Yeka sub city	May 19,2014	
5	4-May-14	Ethiopian Public Health Association	MH Engineering	1	NCB	B+G+7 EPHA Building Complex at Addis Ababa	June 04,2014	
6	20-May-14	Oromiya Industry and Urban Dev bureau		3		Office building at Finfine		
7	18-Jun-14	Addis Ababa University	……	2	NCB	Construction of Walkup Dormitory Building in main Campus	July 15,2014	
8	9-Jun-14	Addis Ababa University		1-NCB		Construction of Forum Building in main Campus		
9	9-Jul-14	Addis Ababa University	Bereket Tesfaye	1	NCB	Construction of Emergency Medicine Unit Building in Tikur Anbessa Hospital	July 15,2014	
10	15-Jul-14	FDRE, Development	……	1	NCB	Construction of Renovation of DBE HO complex and car wash bay	August 15,2014	

		Bank of Ethiopia						
11	22-Jul-14	PPPDS on behalf of Gullele Botanic Garden	……	GC/BC 1	ICB	AGORA 1- Building Construction	June 16,2015	
12	3-Sep-14	Ethiopian shipping and Log service		GC/BC 1	ICB	Completion of multipurpose Building in AA	30-Oct-14	
13	17-Sep-14	Amanuel Mental Specialized Hospital	Edge Consult	GC/BC 1	NCB	Construction of B+ G+7 Administration building	Oct 27,2014	
14	24-Sep-14	PPPDS on behalf of AA women, children and youth Affairs	……	GC/BC 3	ICB	New building construction for City government of Addis Ababa a womens,Children and youth Affairs Bureau	Oct 29,2014	
15	16-Oct-14	Addis Ababa University		GC/BC 3	NCB	Office expansion project		
16	21-Oct-14	Ministry of Health		GC/BC 1	NCB	Construction of B+G+12 apartment block	26-Nov-14	
17	22-Oct-14	Ethiopian National Archives and Library Agency	CDSCo	GC/BC 2	NCB	Construction of National Archives Building and site work ..(3B+G+8)	Nov 26,2014	
18	26-Dec-14	Ministry of Urban Development ,Housing and housing construction	Afri Consult	GC/BC 1	ICB	Lot I (Block A and B) ,Lot 2 (Block C & D) 2B+G+18 apartment for supreme court Judges	Feb 20,2015	
19	8-Jan-14	Federal Police Commission		GC/BC 3	NCB	Construction of Administration Building	5-Feb-15	
20	6-Jan-15	City Government of Addis Ababa Kotebe University College	……	GC/BC 1	NCB	G+8 Building Construction	Jan 30,2015	
21	7-Jan-15	Ethio telecom	Bereket Tesfaye	GC/BC 1	ICB	Call center Building	20-Feb-15	

22	16-Jan-15	Addis Ababa University		GC/BC 4	NCB	Renovation work CR,Hall,Dor	6-Feb-15	
23	26-Jan-15	PPPDS on behalf of Kirkos Sub city administration	……	GC/BC 1	ICB	Office building for Kirkos Sub city Administration	March 11,15 at 10:00AM	
24	26-Jan-15	PPPDS on behalf of Kolfe Keranio Sub city administration	……	GC/BC 1	ICB	Office building for Kolfe Keranio Sub city Administration	April 08,15 at 10:00AM	
25	29-Jan-15	PPPDS on behalf of Addis Ababa Police Commission	……	GC/BC 1	ICB	Construction of New building for Addis Ababa city Administration police commission at Kolfe keraniyo sub city	August 5,2015	
26	29-Jan-15	PPPDS on behalf of Addis Ababa Police Commission	……	GC/BC 1	ICB	Construction of New building for Addis Ababa city Administration police commission at Kolfe keraniyo & Akaki kality sub city	August 5,2015	
27	26-Jan-15	Gullele Botanic Garden	……	GC/BC 2	NCB	The execution of Phase II Garden Fence Construction	Feb 10,2015	
28	27-Jan-15	Water works design Enterprise		GC 3/BC 3	NCB	Site work ..asphalt,fence,parking..	Feb 26,15 at 10:00AM	
29	28-Jan-15	PPPDS on behalf of Addis Ababa city Government Urban Management Institute	……	GC/BC 1	ICB	New office building for Addis Ababa city Government Urban Management Institute	March 17,15 at 10:00AM	
30	24-Feb-15	Ethiopian National Archives and Library Agency	CDSCo	GC/BC 4	NCB	National Archives Building 3B+G+8	March 27,2015	
31	26-Jan-15	PPPDS on behalf of Arada Sub city administration	……	GC/BC 1	ICB	Office building for Arada Sub city Administration	April 08,15 at 10:00AM	
32	1-Apr-15	Ethiopian Roads Authority (ERA)	……	GC/BC 1	ICB	Road research center (RRC) Building and its Facilities at Addis Ababa	May 19,2015 at 2:30 PM	

33	28-Apr-15	PPPDS on behalf of Gullele Botanic Garden		GC/BC 1	ICB	Construction of new Office Building for Gullele Botanic Garden	June 16,15 at 10:00AM	
34	1-May-15	Ethio telecom	Bet Architect	GC/BC 1	ICB	Ethio telecom Head Quarter Building project at the Ethio IT Village	June 18,15 at 10:00AM	
35	26-May-15	FDRE,MOA National Artificial Insemination Center	……	GC/BC 3	NCB	Construction of office building,Bulbarn Building and small diversion Dam	June 11,15 at 10:00PM	
36	23-Jun-15	PPPDS on behalf of Addis Ababa Cinema houses Administration Enterprise	……	GC/BC 1	ICB	Construction of 1000 seats Adult and Youth and Children Cinema Complex	August 10,15 at 10:00Am	
37	30-Jul-15	FDRE,Federal Police Commission	CDSCo	GC/BC 3	NCB	Construction of engineering departement,Property supply department and Workshop	August 31,15 at 2:00PM	
38	25-Aug-15	FDRE,Industrial Parks Development Corporation	MH Engineering	GC/BC 2	NCB	Construction of Fence and store modification work at Bole Lemi Industrial Park Project	Sep 15,15 at 2:00PM	
39	16-Sep-15	Ministry of Urban Development , housing & construction …Federal Government offices construction Project Office		GC/BC 1	ICB	Construction of 4B+G+16 story Building for government communication affair bureau	Nov 01,15 at 2:00PM	
40	19-Sep-15	FDRE,Palace Administration	MH Engineering	GC/BC 1	NCB	Construction of Head Office and Mulit purpose building at National palace	Oct 19,15 at 10:00 AM	
41	29-Sep-15	Ethiopian Airlines		GC/BC 1		Design & Building of different workshop warehouses	Oct 30,15 at 2:30 PM	
42	13-Oct-15	PPPDS on behalf of Meles Zenawi Leadership academy		GC/BC 1	ICB	Construction of new office building for Addis Ababa Meles Zenawi Leadership academy	Nov 16,15 at 10:00 AM	

43	25-Oct-15	Information Security Agency		GC/BC 3	NCB	Construction of different blocks at AA surrounding	Nov 23,15 at 10:00 AM	
44	11-Dec-15	Ethiopian Olympic Committee		GC/BC 3	NCB	Construction of Restaurant & bowling Gymnasium ,3 in 1 sport fields ,tennis court & Site	Dec 30,15 at 10:00 AM	
45	26-Dec-15	St. Paul's Hospital Millennium Medical College	……	GC/BC 1	NCB	Construction of B+G+4,G+0 and old Building renovation work	Jan 15,16 at 2:00 PM	
46	5-Jan-16	Addis Ababa City Administration menafesha & others.		GC/BC 2	NCB	Construction of internal service works	Jan 26,16 at 10:00 AM	
47	13-Jan-16	Addis Ababa Science & Technology University		GC/BC 1	NCB	Construction of Student lounge, Garage & Central store	Feb 1,16 at 10:00 AM	
48	13-Jan-16	Ethiopian Electric Power		GC/BC 2	ICB	Construction of EEP Head quarter (G+34 office tower)	March 23,16 at 10:00 AM	
49	24-Jan-16	FDRE,Federal Police Commission	GATMeTS	GC/BC 3	NCB	Construction work of Medical Professionals Training institute Building	Feb 23,16 at 11:30 PM	
50	26-Jan-16	Addis Ababa Science & Technology University		GC/BC 3	NCB	Construction of Lot 1-Plant protection Grill work and	Feb 16,16 at 10:00 AM	
50	26-Jan-16	Addis Ababa Science & Technology University		GC/BC 3	NCB	Construction of Lot 2- Traditional kitchen renovation work	Feb 16,16 at 10:00 AM	
51	2-Feb-16	Addis Ababa Science & Technology University		GC/BC 1	NCB	Construction of Guest House and students cafeteria	Feb 26,16 at 2:45 PM	
52	7-Feb-16	Addis Ababa Housing Construction		GC/BC 3	NCB	Construction and Completion of partition,fence,site work, electrical and Sanitary installation work	March 09,16 at 10:00 AM	
53	18-Feb-16	PPPDS on behalf of Gullele Botanic	……	GC/BC 1	ICB	Construction of Amphitheater Complex for Gullele Botanic Garden	March 24,16 at 10:00 AM	

		Garden						
54	26-Feb-16	Addis Ababa City Administration fire & Emergency prevention & rescue Authority	AACA Construction bureau	GC/BC 3	NCB	Construction of Bole Summit branch office building	April 11,4:30 local time	
55	26-Mar-16	Ethiopian News Agency	……	GC/BC 1	NCB	Construction of B+G+6 Media Complex Building	April 25,9:30 AM local time	
56	2-Apr-16	AA health Bureau		GC/BC 3	NCB	ART pharmacy renovation TB patients waiting area	April 28,10:00 AM	
57	29-Mar-16	FDRE ,Private Organizations Employees social security agency (POESSA)	Duniya	GC/BC 1	ICB	Construction of POESSA head office building	May 16,10:00 AM	
58	23-Apr-16	FDRE,Ministry of Justice	Yohannes Abay	GC/BC 1	NCB	Construction of Lot one(B+G+M+6) Addis Ketema Justice office & law court building	May 23,10:00 AM	
59	9-Jun-16	Addis Ababa University	……	GC/BC 3	NCB	Construction of G+8 office and Lab building works of AAU at 5 killo.	June 29,2:00 PM	
60	5-Aug-16	Addis Ababa City Transport Authority	……	GC/BC 3	ICB	Design , Supply and Install 500 Bus stop shelters	September 19,11:30 AM	
61	27-Sep-16	PPPDS on behalf of Nifas Silk Lafto sub city	……	GC/BC 1	NCB	Construction of B+G+11 New Office Building for Nifas Silk Lafto Sub city Administration	October 31-2016,10:00 AM	
62	27-Nov-16	FDRE,Industrial Parks Development Corporation	……	GC/BC 1	NCB	Construction of Fence work at Bole Lemi Industrial Park Project	December 19-2016,10:00 AM	Re Bid
63	10-Dec-16	Addis Ababa University	……	GC/BC 1	ICB	Addis Ababa University School of Journalism and communication building	January 24-2017,4:00 AM	
64	7-Feb-17	Addis Ababa University	……	GC/BC 1	ICB	Construction of 2B+G+8 Building for Health Science college	March 22-2017,2:00	

							PM	
65	19-Feb-17	MoLF National Artificial Insemination Center	……	GC/BC 3	NCB	Construction of G+2 Office Building and Bulbarn	March 11-2017,10:00 AM	Re Bid
66	23-Nov-16	Addis Ababa University	……	GC/BC 1	NCB	Construction of Geophysics building at 4killo campus	Dec 28-2016,2:00 PM	
67	5-Mar-17	Addis Ababa Science & Technology University	Yohannes Abay	GC/BC 1	ICB	Construction of Research and Technology Center	April 21-2017,10:00 PM	

Biography of the Author

Endalkachew Tadesse is a Master of Business Administration student at Addis Ababa Science and Technology University. He received a Bachelor of Science Degree in Civil Engineering from Addis Ababa University in 2006. He has worked as a project contract and construction engineer at different parts of Ethiopia and as an operation manager. His current position is head of contract and marketing department at a private construction company in Addis Ababa.